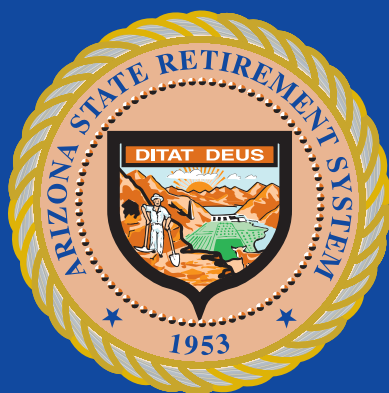


ARIZONA  
STATE  
RETIREMENT  
SYSTEM

# EMPLOYER MANUAL



# Arizona State Retirement System

## Employer Manual



2005 Edition

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# 1. INTRODUCTION

## ASRS Employer Manual

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# 1. INTRODUCTION

## Purpose of the Manual

Arizona law charges each Arizona State Retirement System (ASRS) employer with the responsibility to report and submit retirement and long-term disability contributions, maintain records and furnish information on such forms as the ASRS Board of Trustees requires.

The importance of proper reporting procedures cannot be over emphasized. The proper administration of your employees' retirement accounts depends heavily on how quickly and accurately you report information to the ASRS.

We have developed the ASRS Employer Manual to help you fulfill your responsibilities as an employer partner of the ASRS. It is intended to be a complete reference manual covering all procedures in working with the ASRS.

## Using the Manual

It is not the purpose of the manual to make you an expert on ASRS benefits. We hope you will use the manual as a "working tool" to answer most of the questions that occur from day to day.

If you do not find the answers to your questions in the manual, contact the ASRS for assistance. (See Section 3, Employer Assistance.) We welcome your comments and suggestions on how we may improve the manual.

The manual is in a loose-leaf form. All information is current at the time of publishing. From time to time, the ASRS will provide updates to reflect changes in statutory provisions or ASRS policy on three-hole punched paper for replacement in the manual. (These updates will include date provided at the bottom of each sheet.) Update your manual as you receive the changes so your manual will remain current. The manual will also be maintained in a current status on the ASRS website, [www.asrs.state.az.us](http://www.asrs.state.az.us).

The reporting instructions in this manual in no way should be taken as the basis for any contractual right between the ASRS and the employer or member. **The instructions do not replace statutory and rule requirements. If there is a conflict, Arizona Revised Statutes and the Arizona Administrative Code along with the federal codes for both the Internal Revenue Service and Social Security Title 218 shall have final authority.**

## Copies of the Manual

The ASRS furnishes a copy of the ASRS Employer Manual to each employer. Additional copies are in a limited supply and may be available on request. You may make photocopies, if desired. The manual also is available on the ASRS website at [www.asrs.state.az.us](http://www.asrs.state.az.us).

## ASRS Administration

### The Board of Trustees

The ASRS Board of Trustees is the governing body of the ASRS and is responsible for the administration and management of the ASRS and its trust fund. Board membership consists of nine members appointed by the governor and approved by the Arizona State Senate. Board makeup includes:

- ❑ Five from among the members of the ASRS:
  - 1) An employee of the state
  - 2) An educator
  - 3) An employee of a political subdivision of the state
  - 4) A retired member
  - 5) A member at large from one of the above four groups
- ❑ Four non-ASRS members to represent the public

Four members of the Board must have at least 10 years of substantial financial and/or investment experience and each member must have at least five years of administrative management experience. The members of the Board serve three-year terms and may be re-appointed on the expiration of their terms.

The Board meets monthly or as scheduled to review actions and to formulate policy concerning the operations of the ASRS within statutory provisions. Board members receive compensation at \$50 per day for each day they perform services for the plan to a maximum of \$1,000 per year. Board members also are reimbursed for expenses incurred in the performance of their responsibilities related to the ASRS.

The Board has the following responsibilities and duties (ARS §38-714):

- ❑ Appoint a director who is in charge of the day-to-day operations of the ASRS
- ❑ Prescribe investment goals, objectives, and policies
- ❑ Allocate assets to meet the investment goals, objectives, and policies



- ❑ Appoint investment managers
- ❑ Oversee and provide direction to investment managers
- ❑ Determine the rights, benefits, or obligations of members of the ASRS
- ❑ Conduct hearings regarding any person dissatisfied with a staff decision regarding the person's benefit or membership entitlement
- ❑ Determine the amount, manner, and time of payment of any benefit payable under the ASRS
- ❑ Adopt, amend, or repeal rules for the administration of the ASRS
- ❑ Submit to the governor and legislature a report of ASRS operations each fiscal year
- ❑ Retain an actuary to provide an annual valuation of the assets and liabilities of the ASRS and determine the employer and employee contribution rates
- ❑ Provide a summary of the annual report to ASRS members
- ❑ Provide each member with an annual statement of the member's account balance

Arizona statutes prohibit the Board and the ASRS staff from advocating for or against legislation providing benefit modifications. The Board and staff may provide technical information regarding the impact of such legislation.

For a list of current Board members, please visit our website at [www.asrs.state.az.us](http://www.asrs.state.az.us).

### Prudent Investor Rule

The Board is responsible for the financial administration of the ASRS. Board members each have a fiduciary responsibility to the ASRS subject to the "prudent investor" standard. Their actions are subject to review according to what a prudent expert in investments would do in like circumstances. (ARS §38-719)

### The ASRS Director

The principle duties of the director include (ARS §38-715):

- ❑ Appoint deputy directors and assistant directors with the approval of the Board
- ❑ Administer the daily operations of the ASRS
- ❑ Hire administrative and technical staff and prescribe their duties
- ❑ Prescribe procedures for filing applications for benefits
- ❑ Appoint, with the approval of the Board, a custodian for the safekeeping of all investments owned by the ASRS and register stocks and bonds and other investments in the name of a nominee
- ❑ Invest marketable securities owned by the ASRS by entering into security loan agreements
- ❑ Authorize a retroactive retirement date as provided by law
- ❑ Be responsible for:

- Collection of income and the accuracy of all expenditures
- Maintenance of the books and processing records of the ASRS
- Investment of temporary surplus monies
- Establishment of continuing education programs for the Board to keep them informed of current issues and information needed to carry out their duties.

## Responsibilities

Statutes and rules define responsibilities within the ASRS. The ASRS has responsibilities to the employer and the employee. The employer has responsibilities to the members. One such responsibility is providing certain information to enable the ASRS to accurately determine an employee's membership status and benefit eligibility. Each member also has responsibilities under the ASRS program. A checklist of specific responsibilities follows. Detailed instructions are provided in the appropriate sections of this manual.

### The ASRS is Responsible to:

- ❑ Initiate agreements with eligible employers for Social Security coverage under Section 218 of the Social Security Act and ASRS membership
- ❑ Safeguard the assets of the retirement fund
- ❑ Establish and enforce reporting requirements
- ❑ Receive and process contributions
- ❑ Advise and inform members of retirement eligibility and benefits
- ❑ Process and pay retirement benefits and refunds
- ❑ Resolve member contributions and credited service issues
- ❑ Resolve employer-employee relationship issues
- ❑ Furnish publications and forms required for reporting
- ❑ Advise appropriate employer representatives of payroll reporting requirements
- ❑ Advise employers of retirement eligibility changes.

### The Employer is Responsible to:

- ❑ Enroll all eligible employees in the ASRS
- ❑ Deduct retirement and long term disability contributions from compensation paid to eligible members
- ❑ Match the employee contributions and remit the total employee and employer contributions in a report form prescribed by the ASRS
- ❑ Certify and submit all forms in a timely manner on behalf of the member at the request of the ASRS or member
- ❑ Correct errors in prior reporting detected by the employer, the member or the ASRS.



- ❑ Provide certification of previous member employment and compensation for periods during which membership eligibility is in question
- ❑ Advise and direct members as appropriate regarding their ASRS status and benefit entitlement
- ❑ Distribute ASRS information and materials to members and all affected levels/departments of your organization
- ❑ Obtain clarifications of laws, regulations, and other information from the ASRS as needed for proper implementation of rules and procedures.

#### The Member is Responsible to:

- ❑ Complete enrollment and beneficiary forms
- ❑ Review annual benefit statement
- ❑ Advise the ASRS of any errors in the annual benefit statement
- ❑ Advise the ASRS of changes in name, address, Social Security number, beneficiary or other pertinent information
- ❑ Plan for retirement
- ❑ Request estimates of retirement benefit and retirement application packet six months to one year before retirement
- ❑ Submit retirement application and other forms prior to retirement.

Responsibilities are discussed in detail in the sections that follow. Also provided is a detailed explanation of the ASRS benefits, rules, and procedures.

## Notes

# 2. GENERAL INFORMATION

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## 2. GENERAL INFORMATION

### History

The Arizona state legislature established the Arizona State Retirement System on July 1, 1953 to provide defined contribution benefits as a money purchase plan for employees of the state, state universities and political subdivisions in Arizona. Public school teachers joined the ASRS effective January 1, 1955. This program is referred to as the “System.”

In 1970, the state legislature authorized the creation of the present defined benefit retirement plan to replace the defined contribution program for state employees. For the defined benefit plan to be established, the legislature required that 70 percent of defined contribution program members vote to transfer to the new plan. More than 80 percent of the members voted for the defined benefit plan which became effective July 1, 1971. The new retirement program is called the “Plan.”

Political subdivision employers conducted similar elections over the next few years. When the requisite 70 percent favorable vote was achieved, the employers joined the new defined benefit plan. The legislature called another election in 1975, and additional defined contribution members of the state and its political subdivisions voted to transfer to the new plan. As of July 1, 1976, the defined contribution program (System) was closed to new membership.

Effective July 1, 1981, all remaining non-retired members of the System who had not voted to transfer to the Plan became members of the Plan as prescribed by Laws of 1980, Chapter 238. The statutory provision transferring the remaining defined contribution members to the defined benefit program preserved the right of these members to a retirement benefit determined according to the System provisions.

Further legislation since 1995 and the settlement of a class action lawsuit restored certain rights to the old System members. Members electing to return to the defined contribution program may elect to have contributions deducted and matched by the employer at a rate of seven percent of pay.

The ASRS administers the retirement program to include the defined benefit and defined contribution programs.

To obtain ASRS membership, a public employer must first obtain federal Social Security coverage (FICA) under Section 218 of the Social Security Act. The employer then may adopt a supplemental retirement plan that meets the rules and requirements of the ASRS and ask the ASRS Board of Trustees to administer its plan under the ASRS.

As of June 30, 2004, ASRS employers include:

- ❑ more than 110 state agencies
- ❑ the three state universities
- ❑ ten community colleges
- ❑ more than 443 public school districts and charter schools
- ❑ fourteen counties
- ❑ more than 73 cities and towns and
- ❑ more than 66 miscellaneous public entities

The ASRS covers approximately 224,000 active members, 176,000 inactive members, and 70,000 retired and disabled members.

## Plan Description

The ASRS is a cost-sharing, multi-employer, public employee, tax qualified, defined benefit plan (with the exception of the defined contribution portion). Cost-sharing means that both the employee and employer contribute to the member's retirement as an equal percentage of compensation paid.

As indicated in the above section, more than 700 public employers participate in the plan. Private employers are not eligible for membership.

The ASRS is tax qualified under section 401(a) of the Internal Revenue Code. It is an employer pick-up plan under section 414(h) of the Code. As such, employee contributions are tax deferred until the member receives a benefit or refund.

The ASRS provides retirement, disability, health insurance, health insurance premium supplement and survivor benefits. As a defined benefit plan, the ASRS computes retirement benefits based on age, average monthly compensation and service credit according to the following formula:

$$\text{MULTIPLIER*} \times \text{YEARS OF CREDITED SERVICE} \times \text{FINAL AVERAGE SALARY}$$

The formula shows that service and salary decide the member's benefit. The dollar amount contributed to the member's retirement account in the defined benefit plan does not affect the member's benefit as it does in a defined contribution program.

| Total Years of Service at Retirement | Graded Multiplier Factor (as a Percent) | Graded Multiplier Factor (as a Decimal) |
|--------------------------------------|---|---|
| 0.00 to 19.99 years                  | 2.10%                                   | 0.0210                                  |
| 20.0 to 24.99 years                  | 2.15%                                   | 0.0215                                  |
| 25.0 to 29.99 years                  | 2.20%                                   | 0.0220                                  |
| 30.0 or more years                   | 2.30%                                   | 0.0230                                  |

\*The graded multiplier factor is a percentage set by statute. It is based on the total years of service at retirement.

## Defined Benefit versus Defined Contribution retirement plans

Many questions about the ASRS arise because individuals misunderstand the distinctions between different types of retirement plans. As stated above, the ASRS is a defined benefit plan. The other main type of retirement program, a defined contribution plan, has very different rules and procedures. The following is a comparison of the principal characteristics of each type.

### Defined Benefit (DB) Retirement Programs

Defined benefit (DB) retirement programs cover more than 90 percent of public employees in the United States. Most analysts believe that defined benefit plans provide greater security for career members. General characteristics of a defined benefit plan are as follows:

- ❑ The employer promises the amount of the ultimate benefit to be paid.
- ❑ The employer and the employee must contribute an amount sufficient to deliver that promise.
- ❑ The employer's ultimate cost is equal to the total benefits paid out minus plan earnings on investments and employee contributions.
- ❑ A formula decides the member's benefit. Typically, it is calculated by years of service times average salary times a multiplication factor.
- ❑ The member cannot make additional contributions to the retirement fund because the member's balance does not affect the retirement benefit.
- ❑ The employer assumes the investment risk. The greater the plan's investment earnings, the lower the employer (and the employee) contribution rate, the less the fund earns, the more the employer (and the employee) must contribute.
- ❑ The employer's obligation is not complete until the last benefit recipient dies. The State of Arizona is ultimately responsible for payment of ASRS benefits.
- ❑ Because a formula decides the benefit, the member can predict future benefit amounts by using certain assumptions.

## Defined Contribution (DC) Programs

Defined contribution (DC) programs are much more prevalent in private industry. Under a DC plan, the employer may have some funding advantages over employers with DB plans. Also, members of a DC plan have greater control over their own retirement program. Provisions, as shown below, may not apply to the ASRS old System. General characteristics of a defined contribution plan are as follows:

- ❑ The employer's contribution is defined in the plan.
- ❑ The employee may contribute at any percentage of compensation up to Internal Revenue Code (IRC) limits.
- ❑ The employee may be authorized to take a loan from his individual account. (This option is not available to ASRS members.)
- ❑ The employee's benefit depends on the amount invested and investment performance.
- ❑ The employee assumes risk because the employee's benefit is dependent upon the size of his or her account and the earnings from investments credited to the account. If investment return has not been favorable, the member may not receive an adequate benefit.
- ❑ The employee's benefit is not easily predictable before retirement.
- ❑ The employer's obligation is completed when contributions are made.

## Purpose of the ASRS

The purpose of the ASRS, as provided in ARS §38-712, is to:

- ❑ Provide an incentive to employers in the recruitment and retention of employees of the highest quality
- ❑ Contribute toward a total compensation package that is generally equivalent to comparable employment in other public and private organizations in this state
- ❑ Provide a retirement system that encourages employees to remain in service for such periods that will provide public employers with the full benefit of the training and experience gained by the employees
- ❑ Provide an orderly method of promoting and maintaining a high level of service to the public through an equitable separation procedure that is available to employees at retirement or on becoming disabled
- ❑ Provide a base retirement benefit that is less than 100 percent of a member's post-retirement income requirements, recognizing that personal savings and Social Security also contribute toward total post-retirement income requirements. ASRS members, hired after August 4, 2001, are eligible to receive up to 80% of their current salary at the time of retirement. (ARS §38-757(C))



## Communications

The ASRS has established a website at [www.asrs.state.az.us](http://www.asrs.state.az.us). You may access ASRS publications and forms at this site.

The ASRS publishes the ASRS Member Handbook to provide information to members on the administration, benefits and procedures of the ASRS. The handbook is maintained on the ASRS website. The handbook is updated as necessary on the ASRS website and will be reprinted periodically for distribution to employers. The ASRS cannot make a general distribution of the handbook to all members, but will maintain the publication on the web.

The ASRS newsletter, Financial Horizons, is published periodically and distributed to all active, inactive and retired members for whom the ASRS has a valid address on record. The member newsletter focuses on retirement planning issues, legislative changes and ASRS operations.

The ASRS publishes an Annual Report available to each employer. A limited supply of copies is available for distribution upon request. The Annual Report is also available on the website.

The ASRS distributes an employer newsletter, Employer UPDATE, providing information on specific topics of interest to employers and legislative briefings.

Materials specifically for members nearing retirement are also available, including a Getting Ready for Retirement guide. All materials are available on the website or through the External Affairs Division. (See Section 3 for contact information.)

## Information Meetings

The Employer Relations Program conducts an annual conference. The conference provides current information including Legislative changes. An Employer New Staff Training, called ER 101, is also offered to all ASRS employers. This training workshop highlights the history and gives an overview of the ASRS. It specifically details the employer responsibilities as they relate to membership requirements, long term disability, contribution accounting, and retirees returning to work. Employers may also request on-site training with an ASRS Employer Liaison representative.

Employers may also schedule pre-retirement education seminars for new employees and group meetings at the employer's site by contacting the Member Services Division. See "Contact Directory" in Section 3, Employer Assistance.

## Employer Authorized Agent

Each employer must appoint an authorized agent by position title in the employer's agreement for ASRS coverage. This person will represent the employer with the ASRS. Please notify the ASRS, in writing, whenever the person filling the position changes.

Communications with employers suffer when employers do not designate a contact person to receive correspondence and policy statements from the ASRS. Often, the ASRS learns that the personnel department was not aware of a policy directed to the payroll department, or vice versa. Using the authorized agent as the communications focal point will assure consistency of communications. It is then the authorized agent's responsibility to ensure the communication gets to the individual(s) who need to be aware of the information provided.

## Change of Employer Address

If there are any changes to your e-mail, location or mailing addresses, please notify the ASRS in writing or through e-mail, to the attention of the External Affairs Division.

## Funding and Investments

The ASRS receives funds from three sources:

- 1) Member contributions based on compensation and funds for the purchase of service credit
- 2) Employer contributions
- 3) Investment earnings

ASRS employers and employees have a continuing obligation to fund ASRS member pensions. To "fund" in this sense means to spread the liability over a long period. The employer and employee do not pay the entire liability today, nor wait to pay it when the member retires, but contribute little by little over each working pay period. The ASRS actuary determines each year's contribution rate as a percent of salary. The rate must be sufficient to meet the liability over a 30-year period.

Typically, a member gets back his accrued contributions and interest and service purchase monies (if purchased) within three to five years after retirement. The

employer's contributions and the earnings of the ASRS provide the additional amounts necessary to fund the member's lifetime benefits.

The ASRS has adopted the following investment goals:

- ❑ Maintain ASRS investments in accordance with the Asset Allocation Policy approved by the Board of Trustees.
- ❑ Achieve a long-term average annual rate of return on accrual assets of 8 percent.
- ❑ Ensure that the ASRS meets its cash-flow requirements necessary for payment obligations to our retirees, other members and operations of the ASRS.
- ❑ Maintain an effective internally- and externally-managed investment program.

To accomplish these objectives, the ASRS fund is invested according to the following asset allocation (ARS §38-719):

- ❑ No more than 80 percent – corporate stocks or equity equivalents
- ❑ No more than 5 percent – securities
- ❑ No more than 5 percent – voting stock of any one corporation may be owned
- ❑ No more than 20 percent – foreign equity securities
- ❑ No more than 10 percent – invested in bonds
- ❑ No more than one percent – economic development projects authorized as eligible for investment by the department of commerce and must meet the “prudent investor” rule

The asset allocation is reviewed periodically to ensure that the objectives can be met on a long-term basis. A list of investments is included in the annual report.

The ASRS uses a combination of internal and external investment management to implement the asset allocation. The internal investment management program allows the ASRS to significantly reduce the fees paid to outside investment managers while simultaneously allowing for equivalent returns. In addition, the internal investment management program enables the ASRS to more closely monitor the external investment managers and enhances the ability of the ASRS to determine the optimal asset allocation.

A significant investment control structure exists at the ASRS, including the internal entities of investment management, compliance, investment accounting, and internal audit, as well as the external entities of the custody bank, investment consultant and auditor.

## Confidential Records

Right-to-privacy laws and the federal Health Insurance Portability and Accountability Act of 1996 limit the access of outside parties to a member's retirement account and information. The following are private information items that the ASRS will release only to the member:

- ❑ Social Security number
- ❑ Beneficiary designation
- ❑ Account balance
- ❑ Benefit estimates

Members may obtain this information in person, in writing or by telephone. If a member requests information by telephone, the ASRS staff will require the member to identify himself or herself to the satisfaction of the staff member receiving the call. The member or a court order may authorize the ASRS in writing to release information to another party. The ASRS considers the member's spouse to be a third party and cannot release private information to the spouse unless the member has provided authorization.

The ASRS provides information regarding an employer's active or retired members to the employer on request. Such information may include:

- ❑ Active members: start date (pay period of first contributions) with the employer (when available), salary, total service credit, contribution history with that employer, birth date and address on record. The ASRS cannot provide beneficiary information.
- ❑ Retired members: retirement date, birth date, address, years of service and benefit amount.

The ASRS cannot provide benefit estimates to an employer without member authorization.

# 3. EMPLOYER ASSISTANCE

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# 3. EMPLOYER ASSISTANCE

## General

Staff of the ASRS is available to assist you in meeting your retirement plan responsibilities. The ASRS is organized into six divisions to manage operations. Questions not answered in this manual may be directed to the appropriate ASRS functional area below. A detailed contact directory follows at the end of this chapter.

**It is important to note that the information that follows is provided for employer use only.** Please refer your employees to the Member Services Center at (602) 240-2000 in Phoenix, (520) 239-3100 in Tucson or toll-free at 1(800) 621-3778 outside the metro Phoenix and Tucson areas.

## ASRS Divisions

### Administration

Administration consists of the Director's office, human resources, management and administrative personnel. General questions regarding Board and Committee activities, meetings, and legal issues may be directed to (602) 240-2040 in Phoenix, (520) 239-3100 extension 2040 in Tucson, or toll-free at 1 (800) 621-3778 extension 2040 outside the metro Phoenix and Tucson areas.

### Financial Services

Questions regarding employer contribution reporting and error corrections may be directed to (602) 240-2034 in Phoenix, (520) 239-3100 extension 2034 in Tucson, or toll-free at 1 (800) 621-3778 extension 2034 outside the metro Phoenix and Tucson areas.

### External Affairs

The External Affairs division concerns all communications, legislative affairs, rules, and is the employer and constituent group liaison. For general questions



about ASRS benefits, rule interpretation, legislation, publications, in-service training and special employer assistance, please see the following pages for the specific telephone numbers.

### Information Services

Questions about data processing, electronic media and diskette reporting may be directed to (602) 240-2034 in Phoenix, (520) 239-3100 extension 2034 in Tucson, or toll-free at 1 (800) 621-3778 extension 2034 outside the metro Phoenix and Tucson areas.

For questions regarding member record changes, call the Member Services Center at Call (602) 240-2000 in Phoenix, (520) 239-3100 in Tucson, or toll-free at 1 (800) 621-3778 outside the metro Phoenix and Tucson areas.

### Investment Management

Questions regarding ASRS investment philosophy, allocation and performance may be directed to (602) 240-2101 in Phoenix, (520) 239-3100 extension 2040 in Tucson, or toll-free at 1 (800) 621-3778 extension 2040 outside the metro Phoenix and Tucson areas.

To request the annual financial report, call External Affairs at (602) 240-2016.

### Member Services

Member Services comprises retirement advisory services, long-term disability and health insurance. Specific questions regarding membership, benefits, individual retirement counseling, pre-retirement seminars and group meetings, retirement applications and calculations, service credit, service purchases, leaves of absence, and refunds may be directed to (602) 240-2000 in Phoenix, (520) 239-3100 in Tucson, or toll-free at 1 (800) 621-3778 outside the metro Phoenix and Tucson areas.

## Contact Directory

The following topical index may be helpful in determining whom to contact regarding specific subjects. If calling from metro Phoenix, please dial (602) 240-2000 and the extension listed. If calling from the metro Tucson area, dial (520) 239-3100 and the extension listed. From outside the metro Phoenix or Tucson areas, toll free at 1 (800) 621-3778 and the extension listed. If you are unsure about which extension is appropriate for your call, dial "0" or stay on the line and an operator will assist you.

## ASRS Main Telephone Numbers

**Phoenix Metro: (602) 240-2000      Tucson Metro: (520) 239-3100**

**Outside Phoenix/Tucson Metro: (800) 621-3778**

## Employer Relations

Chanda Washington, Employer Liaison      ext. 2093

Rita Anne Johnson, Employer Liaison      ext. 2147

Michele Briggs, Employer Relations Manager      ext. 2022

### Employer Relations Topics

Address Change for Employer      Enrollment Information New Employee

Annual Employer Conferences      Forms Requests

Change in Employer Contact Person      General Employer Questions

Compensation Definition      Legislative Issues

Contribution Rate      Membership Criteria

Credited Service (General)      Potential Employer Meetings and questions

Employer Relationship      New Employer Questions and staff orientation

Training for New Staff Workshop regarding Employer Responsibilities

## Communications

ext. 2016

### Communications Topics

Annual Financial Report      Newsletters

Forms      Publication Requests

## Contribution Accounting

ext. 2034

### Contribution Accounting Topics

Bank-wire Transfer of Contributions

Contribution Reporting

Contributions Not Withheld (Current Year)

## ASRS Main Telephone Numbers

**Phoenix Metro: (602) 240-2000      Tucson Metro: (520) 239-3100**

**Outside Phoenix/Tucson Metro: (800) 621-3778**

## Health Insurance

ext. 2009

### Health Insurance Topics

Health Insurance Premium Benefit Program

Health Insurance Programs & Plans

Retiree Group Health Insurance

## Member Services

No extension needed; call the ASRS Main Telephone Number

### Member Services Topics

|  |                                      |
|--|--------------------------------------|
| Address Change for Member                | Credited Service Purchases:          |
| Annual Statement of Retirement Benefits  | Leave of Absence                     |
| Appointments for:                        | Military Service                     |
| Pre-Retirement Seminars                  | Other Public Employment              |
| Group Meetings                           | Long-Term Disability Program         |
| Individual Counseling                    | Name Change Request                  |
| Contributions Not Withheld (Prior Years) | Pre-Retirement Presentation Requests |
| Credited Service (Member)                | Refund of Contributions              |
| Death of Member, Reporting               | Retirement Application & Explanation |
| Estimate Requests                        | Retirement Counseling                |
| Forfeited Credited Service Purchase      |                                      |

## Social Security Coverage Issues

Michele Briggs, State Social Security Administrator

ext. 2022

## ASRS Main Telephone Numbers

**Phoenix Metro: (602) 240-2000      Tucson Metro: (520) 239-3100**

**Outside Phoenix/Tucson Metro: (800) 621-3778**

## Additional Contact Information

|   |           |
|---|-----------|
| Assistant Attorney General                    | ext. 2151 |
| Assistant Director, External Affairs          | ext. 2044 |
| Assistant Director, Financial Services        | ext. 2177 |
| Assistant Director, Information Services      | ext. 2078 |
| Assistant Director, Member Services           | ext. 2178 |
| Chief Operations Officer, Internal Operations | ext. 2077 |
| Director                                      | ext. 2031 |
| Legislative Liaison                           | ext. 2027 |
| State Agency Rules                            | ext. 5172 |
| Tape or Diskette, Contribution Reporting      | ext. 2076 |

## Notes

# 4. MEMBERSHIP

## ASRS Employer Manual

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# 4. MEMBERSHIP

## Employer Responsibilities

One of the most important responsibilities is to enroll in the ASRS all employees who meet eligibility and membership qualification standards. You are legally obligated to enroll all employees who qualify for membership (ARS §38-711 (23) and §38-727).

ASRS membership is a mandatory condition of employment for all your employees who meet the eligibility and membership criteria defined in statute (ARS §38-711 (23) and §38-727). Only those who meet the membership criteria can become members. Neither the employee nor the employer has a choice regarding membership. A qualifying employee cannot reject membership; employees who do not meet the criteria cannot choose membership.

**NOTE:** *This discussion pertains to current membership rules. These rules have changed periodically over the years. Therefore, they may not apply to a previous situation. See "Correcting Errors" in Section 6, Contribution Reporting, if you must address an earlier period. Contact the External Affairs Division to learn the rules for the period in question.*

## Membership Qualification Standards

There are two qualifications for ASRS membership:

**Eligibility:** All employees who are in positions included in your agreement with the ASRS to extend Social Security coverage under Section 218 of the Social Security Act and who are not contributing members of another state retirement program are eligible for ASRS membership. (ARS §38-727)

**20 week/20 hour test:** All eligible employees who are hired to work at least 20 weeks in a fiscal year and 20 or more hours per week become members upon employment. (ARS §38-711, Subsection 23 (b))

### Eligibility

If you deduct Social Security from an employee's pay, the employee is most likely eligible for ASRS coverage. Your Social Security coverage is defined in your agreement with the State for Social Security under Section 218 of the Social Security Act. This is called your Section 218 Agreement. You should have this



agreement in your files. If you do not, call the External Affairs Division to obtain a copy.

The agreement may exclude some of your employees from Section 218 coverage. Your agreement will show whether you have excluded any classifications of work from Social Security coverage. Employees who are excluded from Social Security coverage under Section 218 are not eligible for ASRS membership. See "Social Security" in Section 9, Benefit Issues, for a discussion of exclusions.

***NOTE:*** *Deducting Social Security from an employee's pay does not always mean the employee is eligible for Arizona State Retirement System membership. The federal Omnibus Budget Reconciliation Act of 1990 (OBRA '90) requires that any public employee not included under Social Security Section 218 coverage and not covered by a comparable retirement plan, as determined by the IRS, must be covered for Social Security. Therefore, you may have to deduct Social Security under OBRA 1990 for employees who have been excluded from the Section 218 agreement. The mandatory coverage does not meet the eligibility requirement of the Section 218 coverage and employees covered on this basis are not eligible for the ASRS. (Social Security considers the Section 218 participation to be voluntary.) For those employees who are not covered by the Social Security 218 agreement with an ASRS employer but are contributing to Social Security and a retirement system with another employer, their Social Security benefits may be reduced. Please refer these employees to Social Security for specific information.*

### 20 week/20 hour test

Membership is based on the duration of employment - 20 weeks/20 hours per week. Determine membership for "eligible" employees (Section 218 covered) on the basis of the terms of employment for which the employee is hired. If you engage an employee to work at least 20 hours a week for at least 20 weeks in a year, that employee becomes a member of the ASRS at employment. Withhold retirement and long-term disability contributions according to the rules provided in this manual and state law. If an employee is hired to work part-time, sometimes working 20 or more hours in a week and sometimes working less, that employee becomes eligible at the start of the 20th week of working 20 or more hours in a fiscal year. Once an employee meets eligibility in a fiscal year, he or she remains eligible until the end of the fiscal year.

***NOTE:*** *If the employment is continuing and permanent, the employee becomes a member if the 20-week/20-hour criteria are met, even though 20 weeks may not remain in the fiscal year when the employee is hired. For example, a new, permanent employee hired in March that meets both eligibility and 20 week/20 hour qualifications is a member.*

## Part-time and Non-permanent Employees

Employment classification does not determine ASRS membership status. There are no specific provisions in statute regarding part-time or non-permanent positions, i.e. temporary, probationary, substitute, visiting faculty, clerical pool, on-call, spot or any other similar employer classification.

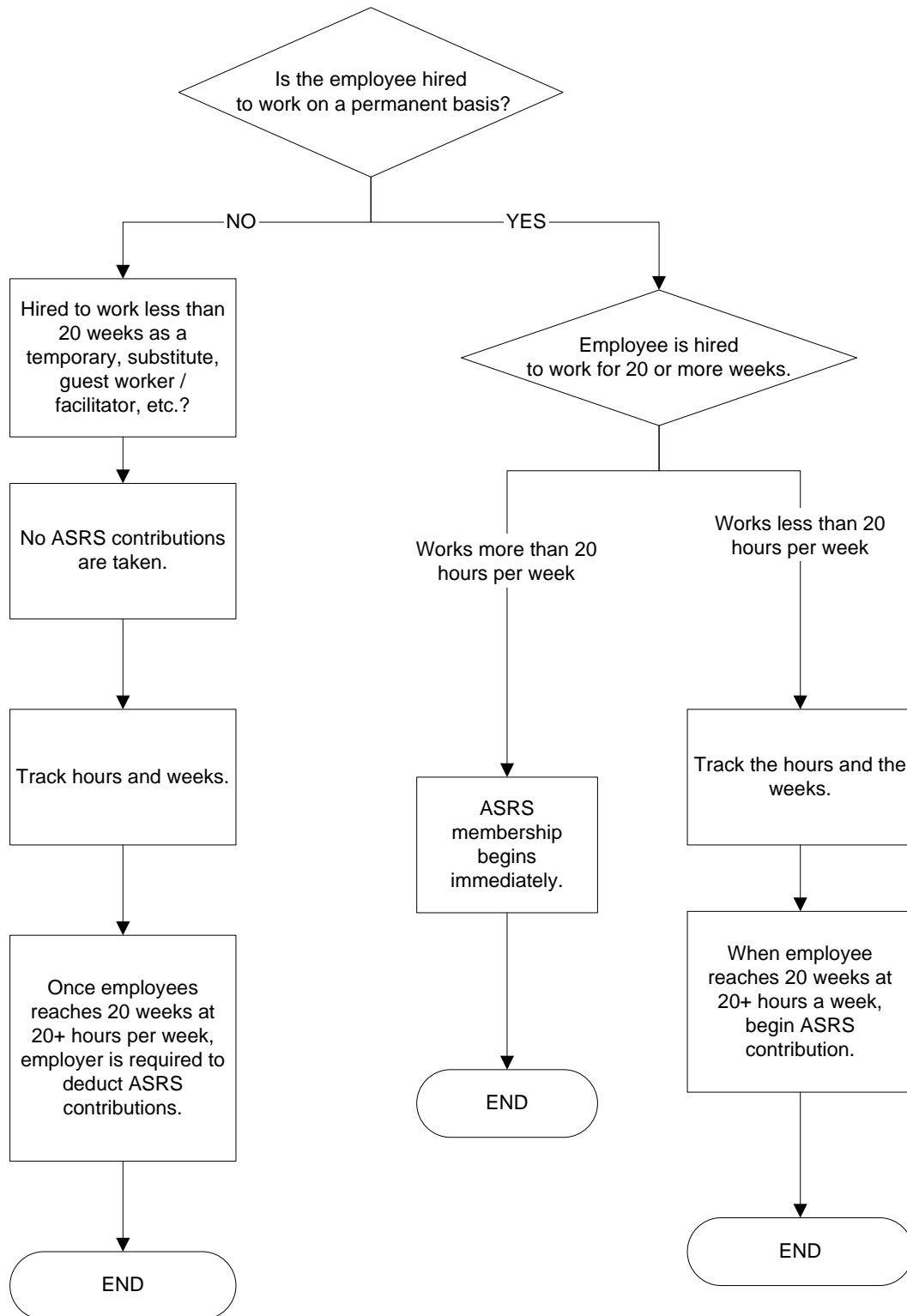
Regardless of the employer's employment classification, if an employee meets membership criteria, you must withhold and report contributions from amounts paid to the employee. Though your personnel rules may exclude an employee from other employer-provided benefits, coverage for retirement is determined solely by the ASRS statutory provisions, not employer personnel rules. (ARS §38-711, Subsection 23 (b))

If the employment does not meet the membership criteria, you cannot include the employee in coverage. If an employee originally does not qualify for membership and the employment situation changes, re-determine the employee's membership status based on the new terms of employment. If the employee qualifies after the change in employment terms, begin membership coverage at that point. The membership is not retroactive to the beginning of employment.

## Notes

# Flow Chart to Determine ASRS Eligibility

(Designed by Sue Witt, ADOA)



## Age Limitation

There is no maximum age for either Social Security coverage or ASRS membership, as mandated by federal age discrimination provisions.

## Who is a Member?

Include in retirement membership all eligible employees:

**NOTE:** Remember, "eligible" means the employee is in a position included in your Social Security Section 218 agreement.

- ❑ Hired to work in any employment classification for at least 20 weeks in a fiscal year and 20 or more hours a week and included in Social Security Section 218 coverage. Coverage and contribution deductions begin at the effective date of employment. (ARS §38-711, Subsection 23 (b))
- ❑ Hired originally for a period that did not meet the 20-week/20-hour criteria, but whose employment is extended. Start coverage when the employee begins the 20th week in the fiscal year working 20 or more hours a week or when you determine that the employee's work will meet the membership criteria, whichever comes first. The coverage is not retroactive. (ARS §38-711, Subsection 23 (b))

**NOTE:** If you hire employees to work on an intermittent basis, you must count the weeks an employee works 20 or more hours. (Do not count weeks during which the employee works fewer than 20 hours.) You must withhold and remit contributions from the beginning of the 20<sup>th</sup> week of 20 hours or more until the end of the fiscal year.

- ❑ Hired to work any number of hours and duration and also works for another ASRS employer in an active membership status. Coverage begins on the first date of employment or when the employee begins employment with another ASRS employer. (ARS §38-711, Subsection 23) Adjunct faculty positions at several community colleges must first meet the Social Security Section 218 agreement (working at least 7 load hours) before this part-time position may be covered by the ASRS.
- ❑ Retired members of the ASRS who return to work for at least 20 weeks in the fiscal year with 20 or more hours a week. The member must advise the ASRS that he or she has returned to active membership. (ARS §38-766)

**NOTE:** The ASRS suspends the retirement benefit of a retired member hired under these circumstances, and the member may resume retirement when the member again ends employment or reduces the schedule below the 20 week/20 hour test for a fiscal year. See "Return to work of an ASRS retired member" later in this section.

ASRS coverage begins on the first day of employment for positions that are normally included in another retirement program but are personally ineligible for the other retirement program and otherwise meet ASRS membership criteria (Social Security Section 218 coverage and work criteria). The other state retirement programs include: the Public Safety Personnel Retirement System (PSPRS), the Correctional Officer Retirement Plan (CORP), the Elected Officials' Retirement Plan (EORP) and the optional plans authorized by the Arizona Board of Regents or the community colleges. Employees may be personally ineligible for another retirement program due to age, retirement status (i.e., already receiving a retirement benefit from the program) or other program eligibility rule. (ARS §38-727) See below when the employee is not covered under the employer's Section 218 agreement for Social Security. Section 9 of the Employer Manual contains specific information related to the university and community college optional retirement programs.

## Who is Not a Member?

Do not cover for ASRS retirement any employee hired to work:

- ❑ Fewer than 20 weeks in the fiscal year (and is not employed in an active member status with another ASRS employer). (ARS §38-711, Subsection 23 (b))
- ❑ Fewer than 20 hours per week (and is not employed in an active member status with another ASRS employer). (ARS §38-711, Subsection 23 (b))
- ❑ In a limited appointment position for not more than 18 months. If the employment extends beyond 18 months, membership becomes mandatory as of the beginning of the 19th month. (ARS §38-711, Subsection 23 (d))

***NOTE:*** To be eligible for this exclusion, the ASRS Director must approve the position for exclusion from ASRS coverage. For specific information related to a limited appointment position, contact the External Affairs Division.

- ❑ In a position covered under:
  - Another Arizona state retirement program (ARS §38-727, Subsection 1)
  - An optional retirement program authorized by the Arizona Board of Regents or a state community college district and the member elects the other coverage. (ARS §38-727, Subsection 1) See Section 9 of the Employer Manual for specific details.

- ❑ In a position normally covered by another state retirement program, but the employee is personally ineligible for the other retirement program and the position is not included in your Social Security Section 218 coverage.

**NOTE:** *The following positions are excluded from Section 218 agreements:*

- *All firefighters (with the exception of fire districts that elected coverage on obtaining ASRS membership)*
  - *Many police officers (If municipality obtained Section 218 coverage before the establishment of police officer positions, the agreement includes those positions in Social Security coverage.)*
- ❑ In a position as a temporary employee of the legislature for a period not to exceed six months. If the employment extends beyond six months, coverage begins the first day of the seventh month. The employee may elect to receive service credit for the first six months. In this event, the employee and the employer must pay the required contributions for the earlier period within 45 days after the end of the six-month period. (ARS §38-727, Subsection 5)
  - ❑ In postgraduate training in an approved medical residency training program (ARS §38-727, Subsection 6)
  - ❑ In a position that is excluded from your Section 218 agreement. Judges, firefighters, some police officers and elected officials are examples of employees who fit this situation (see note above). Other exclusions also may apply. Employees in positions excluded from the Section 218 agreements are not eligible for ASRS membership. (ARS §38-727, Subsection 1)
  - ❑ An employee of the Arizona Legislature or a term-limited state legislator who elects to participate in the State Money Purchase Plan established in Chapter 329, Laws of 1999, Section 1, in lieu of ASRS membership. (ARS §38-727)
  - ❑ An employee of the Arizona Legislature, a term-limited state legislator or exempt state employee who elects to participate in the Defined Contribution Retirement Plan Option established in Chapter 329, Laws of 1999, Section 6, in lieu of ASRS membership. (ARS §38-951)
  - ❑ An ASRS retired member who:
    - Returns to employment in a position that does not pass the 20 week/20 hour test
    - Returns to employment in an active member status and subsequently reduces the work schedule to a level that does not pass the 20 week/20 hour test
    - Retired under ARS §38-764 (J) which authorizes a member who attains a normal retirement date to retire at any time without terminating

employment if the member is employed for less than the hours required for active membership

- ❑ An ASRS retired member who has reached a normal retirement age and returns to work in a position covered under an ASRS employer at least twelve months after retiring and signs a letter of understanding under the provisions of Chapter 132, Laws of 2000 (ARS §38-766.01).

## Vesting

Vesting is the right to receive future benefits.

### Benefits

ASRS members are immediately vested for retirement, long term disability, and health insurance for retirees on the effective date of membership, according to the rules and statutes governing the ASRS. To retire before the age of 65, however, members must have at least five years of credited service.

### Refund of Contributions

A member always is 100 percent vested in the employee contributions and interest when the member terminates employment and requests a refund. The member becomes vested (and is entitled to receive) a portion of the employer contributions made on the member's behalf plus interest based on years of service at termination as follows (ARS §38-740):

| Total Years of<br>ASRS Service Credit | Percent of Employer Contributions<br>Refunded to Member |
|---------------------------------------|---|
| 0.0 to 4.99 years                     | 0%  |
| 5.0 to 5.99 years                     | 25%   |
| 6.0 to 6.99 years                     | 40%   |
| 7.0 to 7.99 years                     | 55%   |
| 8.0 to 8.99 years                     | 70%   |
| 9.0 to 9.99 years                     | 85%   |
| 10.0 or more years                    | 100%  |

**EXAMPLE:** An ASRS member quits employment after five and a half years of ASRS service. The total employee contributions and accrued interest is \$8,000. The matching employer contributions and interest also is \$8,000. The ASRS will refund \$10,000 (the employee's \$8,000 plus 25% of the employer \$8,000). Refunds are subject to federal and state income tax deduction.

Effective July 1, 2005 the interest rate applied to a member's account for the purposes of refunding the account will be at 4%. **This change in rate is only for those members requesting a refund.** For those not requesting a refund the account will continue to earn 8% interest.

## Health Insurance Premium Benefit

Members qualify for the health insurance premium benefit according to the following schedule (ARS §38-783):

| Total Years of ASRS Service Credit | Percent Vested |
|------------------------------------|----------------|
| 0.00 to 4.99 years                 | 0%             |
| 5.0 to 5.99 years                  | 50%            |
| 6.0 to 6.99 years                  | 60%            |
| 7.0 to 7.99 years                  | 70%            |
| 8.0 to 8.99 years                  | 80%            |
| 9.0 to 9.99 years                  | 90%            |
| 10.0 or more years                 | 100%           |

### Employer Responsibilities

- ❑ Advise the member of the meaning of vesting when the member is enrolled.
- ❑ Refer the member to the ASRS for more details regarding vesting and eligibility for benefits.

## Enrollment

### The Enrollment Form

Each employee who meets ASRS membership requirements must complete an ASRS Enrollment Form. The ASRS Enrollment Form documents the member's employment and membership. As such, it serves the following purposes:

- ❑ Informs the employee that the employer will withhold retirement contributions and remit the contributions along with employer matching amounts to the ASRS
- ❑ Provides the ASRS the information necessary to establish the member's retirement account. (The ASRS provides forms to allow the member to notify the ASRS of name, address and/or beneficiary changes. The member must advise the ASRS of any changes as soon as possible.)

## Notes



## Sample Enrollment Form



**ARIZONA STATE RETIREMENT SYSTEM (ASRS)**

# ENROLLMENT FORM

COMPLETE AND SEND TO:  
Employer's HR Department

ASRS Numbers  
Phoenix (602) 240-2000  
Tucson (520) 239-3100  
Toll-Free (800) 621-3778  
TTY (602) 240-5333

**PLEASE PRINT OR TYPE – This Form Must Be Accompanied By A Beneficiary Form**

Disclosure of your Social Security Number is mandated by Section 6109 of the Internal Revenue Code.\*

|  |  |   |
|--|--|---|
| Social Security Number<br><i>000-00-0000</i>                   | Member Name (Last, First, Middle)<br><i>Doe, Jane Q.</i>   |   |
| Date of Birth (MM/DD/YY)<br><i>BIRTHDATE, NOT TODAY'S DATE</i> | Marital Status (Check One)<br>Single <input type="checkbox"/> Married <input type="checkbox"/> Divorced <input type="checkbox"/> | Gender (Check One)<br>Male <input type="checkbox"/> Female <input type="checkbox"/> |
| Home Telephone Number<br><i>(602)555-5555</i>                  | Business Telephone Number<br><i>(602)555-5555</i>  | Fax Number<br><i>(602)555-5555</i>  |
| E-Mail Address<br><i>(Optional)</i>                            |  |   |
| Member Signature<br><i>(Mandatory)</i>                         |  | Date<br><i>TODAY'S DATE</i>   |

**MAILING ADDRESS** Please indicate below where you would like the ASRS information to be sent

|  |                    |                              |
|--|--------------------|------------------------------|
| In Care Of (If Needed)                       |                    |                              |
| Address<br><i>Street Address or P.O. Box</i> |                    | Suite/Apt Number (If Needed) |
| Second Address Line (If Needed)              |                    |                              |
| City<br><i>Your Home City/Town</i>           | State<br><i>AZ</i> | ZIP Code<br><i>88888</i>     |

**HOME ADDRESS** If Different From Above

|                                 |       |                              |
|---------------------------------|-------|------------------------------|
| In Care Of (If Needed)          |       |                              |
| Address                         |       | Suite/Apt Number (If Needed) |
| Second Address Line (If Needed) |       |                              |
| City                            | State | ZIP Code                     |

**Employee Information to be Completed by the Employer ONLY**

|  |   |
|--|---|
| Employer Name<br><i>Full Employer Name</i>   | Six-Digit Employer Number<br><i>ASRS CODE – Call External Affairs if not sure</i>   |
| Employee's Position<br><i>History Teacher</i>  | If School, Is Employee Certified?<br>Yes <input type="checkbox"/> No <input type="checkbox"/>                             |
| Hire Date (Start Date of Employment)<br><i>6/25/2005</i>   | Enrollment Date (Start Date of ASRS Coverage)<br><i>8/1/2005 (different from hire date as this is a 9 month employee)</i> |
| Is the employee currently working for another ASRS employer?<br>Yes <input type="checkbox"/> No <input type="checkbox"/> | If so, who?<br><i>Be sure to ask this question especially if this is a part time position.</i>                            |
| Employer Signature<br><i>Human Resources Signature</i>   | Date<br><i>TODAY'S DATE</i>   |

**Please Retain a Copy for the Employee / Employer Files**

\*The ASRS will use Social Security Numbers only to obtain information about an individual's ASRS account and to make returns and reports to the Internal Revenue Service with respect to the individual's account.

## The Beneficiary Election Form

Each member should complete a Beneficiary Election Form. The Beneficiary Election Form documents the member's choice of a beneficiary to receive an ASRS survivor benefit in the event of the member's death before retirement. This form permits the employee to indicate:

- ☐ An initial beneficiary election
- ☐ An addition to a previous election
- ☐ A change/ replacement to a previous election

The Beneficiary Election Form allows the member to name multiple primary co-beneficiaries and, if desired, a secondary beneficiary in the event the primary beneficiary election is no longer valid. When naming multiple co-beneficiaries, the form asks the member to indicate the percentage of the survivor benefit to be paid to each named beneficiary.

In the event of the member's death before retirement and if there is no valid Beneficiary Election Form on file with the ASRS at the time of a member's death, the ASRS will pay the survivor benefit to the member's spouse, children, parents or estate, according to the laws of the State of Arizona (ARS §38-762).

The member must enter the Social Security number of all beneficiaries included on the Beneficiary Election Form. The SSN is necessary for identification and tax-reporting purposes. If the beneficiary is not a citizen of the United States, the beneficiary at the time of payout must submit a federal tax identification (TIN) number. If the member is listing an estate, trust fund or an organization as the beneficiary, a federal TIN should be used. A federal TIN may be obtained from the Internal Revenue Service.

## Notes

## Sample Beneficiary Form



### ARIZONA STATE RETIREMENT SYSTEM (ASRS) BENEFICIARY FORM

PLEASE PRINT

COMPLETE AND SEND TO:  
ASRS – Records Management  
PO Box 33910  
Phoenix, AZ 85067-3910

Phoenix (602) 240-2000  
Tucson (520) 239-3100  
Toll-Free (800) 621-3778  
TTY (602) 240-5333  
FAX: (602) 240-5388  
www.asrs.state.az.us

**As a member of the ASRS, you must designate your beneficiary(ies). Your designated beneficiary(ies) will receive any available funds after your death.**

#### IMPORTANT INFORMATION:

- It is essential you keep your beneficiary(ies) information current. Therefore, when life-changing events occur we recommend you review your beneficiary information and make any necessary changes.
- The ASRS acknowledges the most current Beneficiary Form on file. Please list ALL of your beneficiary(ies) even if you have previously submitted them.
- It is your responsibility to ensure that both the ASRS and your employer (if applicable) have current beneficiary information. Arizona law may designate your beneficiary(ies) if you do not provide the ASRS with the most current information.
- The form must be signed, dated and received by the ASRS before the date of death as evidenced by the ASRS date stamp on the document itself.

**Disclosure of your Social Security number is mandated by Section 6109 of the Internal Revenue Code. The ASRS will use Social Security numbers only to obtain information about an individual's ASRS account and to inform the Internal Revenue Service of distributions and withholdings with respect to the individual's account.**

#### SECTION 1 – Member Information

|   |                                   |   |
|---|-----------------------------------|---|
| Social Security Number                  | Member Name (Last, First, Middle) | Date of Birth (MM/DD/YY)  |
| Employer (For Non-retired Members Only) |                                   | Member Status: (Check One)<br><input type="checkbox"/> Retired <input type="checkbox"/> Non-retired |
| Home Telephone Number<br>( )            | Business Telephone Number<br>( )  | Fax Number<br>( )   |
| E-mail Address                          |                                   |   |

#### SECTION 2 – Designated Primary Beneficiary

**NOTE:** You must indicate a Social Security number or Tax ID number for the primary beneficiary designated. **Failure to provide the SSN will result in a delayed processing time. If estate, organization or trust, you must provide a TIN.**

- The total percent of benefit for PRIMARY beneficiary(ies) listed must equal 100%.**

|  |   |   |  |
|--|---|---|--|
| <input type="checkbox"/> SSN or <input type="checkbox"/> TIN | Primary Beneficiary Name: Person (Last, First, Middle) <input type="checkbox"/> Estate <input type="checkbox"/> Organization <input type="checkbox"/> Trust |   | Contingent Annuitant for Optional Premium Benefit Program?<br><input type="checkbox"/> Yes <input type="checkbox"/> Not Applicable |
| Birth Date (MM/DD/YY)  | Gender (Check One)<br><input type="checkbox"/> Male <input type="checkbox"/> Female   | Legal Relationship (Check One)<br><input type="checkbox"/> Spouse <input type="checkbox"/> Child <input type="checkbox"/> Other | Telephone Number<br>( )  |
| Mailing Address  |   |   |  |
| City   | State   | ZIP   | Percent of Benefit %   |

**IF MORE THAN ONE BENEFICIARY, ENTER TOTAL NUMBER OF BENEFICIARIES HERE AND COMPLETE THE INFORMATION ON THE NEXT PAGE**

|                              |      |
|------------------------------|------|
| Member Signature<br><b>X</b> | Date |
|------------------------------|------|



**ARIZONA STATE RETIREMENT SYSTEM (ASRS)****BENEFICIARY FORM****Member Information**

|                                   |      |
|-----------------------------------|------|
| Social Security Number            | Date |
| Member Name (Last, First, Middle) |      |

**SECTION 3 – Additional Primary and Secondary Beneficiaries**

(If you choose the Joint & Survivor Option when completing your Retirement Application, you may NOT choose more than one Primary beneficiary.)

**NOTE:** You must indicate a SSN or tax ID number for **each** beneficiary designated. Failure to provide the ASRS with the SSN will result in a delayed processing time. If estate, organization or trust, you **must** provide a TIN.

- The total percent of benefit for **PRIMARY** beneficiary(ies) listed must equal 100%.
- The total percent of benefit for **SECONDARY** beneficiary(ies) listed must equal 100%.

|  |   |   |                              |
|--|---|---|------------------------------|
| <input type="checkbox"/> <b>Primary</b>                      | <input type="checkbox"/> <b>Secondary</b>   |   |                              |
| <input type="checkbox"/> SSN or <input type="checkbox"/> TIN | Beneficiary Name: Person (Last, First, Middle) <input type="checkbox"/> Estate <input type="checkbox"/> Organization <input type="checkbox"/> Trust |   |                              |
| Birth Date (MM/DD/YY)  | Gender (Check One)<br><input type="checkbox"/> Male <input type="checkbox"/> Female   | Legal Relationship (Check One)<br><input type="checkbox"/> Spouse <input type="checkbox"/> Child <input type="checkbox"/> Other | Telephone Number<br>(      ) |
| Mailing Address  |   |   |                              |
| City   | State   | ZIP   | Percent of Benefit<br>%      |

|  |   |   |                              |
|--|---|---|------------------------------|
| <input type="checkbox"/> <b>Primary</b>                      | <input type="checkbox"/> <b>Secondary</b>   |   |                              |
| <input type="checkbox"/> SSN or <input type="checkbox"/> TIN | Beneficiary Name: Person (Last, First, Middle) <input type="checkbox"/> Estate <input type="checkbox"/> Organization <input type="checkbox"/> Trust |   |                              |
| Birth Date (MM/DD/YY)  | Gender (Check One)<br><input type="checkbox"/> Male <input type="checkbox"/> Female   | Legal Relationship (Check One)<br><input type="checkbox"/> Spouse <input type="checkbox"/> Child <input type="checkbox"/> Other | Telephone Number<br>(      ) |
| Mailing Address  |   |   |                              |
| City   | State   | ZIP   | Percent of Benefit<br>%      |

|  |   |   |                              |
|--|---|---|------------------------------|
| <input type="checkbox"/> <b>Primary</b>                      | <input type="checkbox"/> <b>Secondary</b>   |   |                              |
| <input type="checkbox"/> SSN or <input type="checkbox"/> TIN | Beneficiary Name: Person (Last, First, Middle) <input type="checkbox"/> Estate <input type="checkbox"/> Organization <input type="checkbox"/> Trust |   |                              |
| Birth Date (MM/DD/YY)  | Gender (Check One)<br><input type="checkbox"/> Male <input type="checkbox"/> Female   | Legal Relationship (Check One)<br><input type="checkbox"/> Spouse <input type="checkbox"/> Child <input type="checkbox"/> Other | Telephone Number<br>(      ) |
| Mailing Address  |   |   |                              |
| City   | State   | ZIP   | Percent of Benefit<br>%      |

|                              |      |
|------------------------------|------|
| Member Signature<br><b>X</b> | Date |
|------------------------------|------|

## Employer responsibilities

- ❑ An Enrollment Form prescribed by the Board is required for each member of the ASRS. You must ensure that all employees who meet membership criteria complete an ASRS enrollment form. Please return the form within two weeks of meeting membership requirements.
- ❑ Provide each new employee that meets the membership criteria with a copy of the Enrollment Form, New Employee Check List and Beneficiary Election Form.
- ❑ Review each Enrollment Form to ensure that it is complete, accurate and legible. Information on the form should be typed, if possible, or printed clearly and accurately and be signed.
- ❑ Complete the certification statement at the bottom of the Enrollment Form.
- ❑ Distribution of the Enrollment Form:
  - Send originals to the ASRS
  - Make a copy for the employee
  - Make a copy for the employee's file

**NOTE:** Be sure to compare the SSN as shown on the Enrollment Form with your records and the member's Social Security card and resolve any discrepancy, including legibility, before submission to the ASRS. You should also verify the spelling and legibility of the member's name as it appears on these forms.

*Untimely submission of these forms or forms with incorrect or illegible information may cause delay or errors in the posting of contributions to a member's retirement account. The ASRS will return illegible or incomplete forms to the employer.*

## Common Questions about Enrollment

**Question 1:** Who is eligible for membership?

**Answer 1:** See "Who is a member?" earlier in this section.

**Question 2:** Is an Enrollment Form required from a member who already has a retirement account established due to employment with another ASRS employer member?

**Answer 2:** Yes. The Enrollment Form is necessary for the ASRS to establish the member's account. A new enrollment is only needed when a member transfers from one ASRS employer to another ASRS employer.

**Question 3:** What happens if an Enrollment Form is not submitted?

**Answer 3:** If you report contribution transactions for an employee not enrolled in the ASRS (that is, the ASRS has not processed an enrollment form with the name and Social Security number combination contained in your payroll report), the ASRS must create a temporary account under the identifying information reported. You will be advised periodically of the employees reported without being enrolled in the Plan and will be asked to obtain an enrollment. If the enrollment form is not received by the time the employee terminates employment, any attempts to obtain a refund or to retire will be delayed until the enrollment information is received.

**Question 4:** Why are Enrollment Forms sometimes returned to the employer, or why is the employer asked to provide a copy of a previously submitted form?

**Answer 4:** Enrollment Forms received with incomplete or illegible information or lacking notarization are returned for correction. We ask employers to provide a new or copy of an Enrollment Form when our records show that payroll transactions have been reported by a name and/or SSN not identified on the ASRS master file. This is necessary to assure that a complete and accurate account is established for each member.

**Question 5:** Must the member complete the Beneficiary Election Form?

**Answer 5:** The member names a beneficiary to designate the person or entity to receive survivor benefits in the event of the member's death before retirement. If the member has not stated a beneficiary election on the Beneficiary Election Form, in the event of the member's death the ASRS will pay a survivor benefit according to Arizona law. This may not be what the member would have wanted.

**Question 6:** What happens if the member does not report a name change?

**Answer 6:** If the member's name is changed and the ASRS is not advised, contributions reported under the new name will be rejected during the posting process and the contributions will not be posted to the member's account. Normally, the ASRS can identify the error and modify the account so we can post the contributions. We cannot change the name on the account without an authorization from the member. All communication from the ASRS to the member, including the annual statement, will have the original name until the member changes it. The ASRS provides a form for this purpose. A copy of the form can be downloaded from the ASRS website ([www.asrs.state.az.us](http://www.asrs.state.az.us)) in the Employer section.

**Question 7:** What happens if the member's SSN is reported incorrectly on the Enrollment Form, on the employer's contribution report, is changed by the member, or is entered incorrectly because it is illegible?

**Answer 7:** Whenever possible, the ASRS will identify and correct the error or contact you for verification and correction. There is a risk that the contributions will never be properly identified. The ASRS requires a copy of the Social Security card or other appropriate information to document a correction or change to the Social Security number.

# Working After Retirement

Legislative and employer incentives encourage many ASRS members to seek early retirement. Many later decide to return to work.

A problem may arise, however, when the unsuspecting retired member discovers that the return to work with an ASRS employer can affect his or her benefit entitlement.

Under federal and state law, employment after retirement by a retired ASRS member is subject to the same 20 week/20 hour membership qualification test that applies to any new employee. The result of returning to work in a status that meets ASRS membership qualification is the loss of retirement benefits while the retired member remains in active membership status. Employment that does not meet the 20 week/20 hour test does not affect entitlement to ASRS retirement benefits.

## When may a Retired Member Return to Employment?

Under most circumstances, a member must first terminate employment to become eligible to begin receiving retirement benefits. (See exception below.) The ASRS defines termination as a break in the employment relationship with no agreement or understanding providing for the employee's return to any employment in an ASRS covered position. A member is not eligible to receive retirement benefits if the member returns to work before meeting the break in service requirement, except as noted below.

Arizona statute and federal age discrimination laws require the ASRS to treat rehired annuitants under the same membership rules as any new employee. The member status of a retired member returning to work with an ASRS employer shall be determined according to the same criteria applied to any employee of the employer.

### **Member Who Retires at Normal Retirement**

Normal Retirement: Member retires at age 65, or at age 62 with at least 10 years of service, or at 80 points.

- ❑ The member may return to work the day after retirement and work less than 20 hours a week for any length of time and remain eligible to continue to receive pension benefits.
- ❑ The member may return to work the day after retirement and work 20 hours or more a week for 19 weeks in any fiscal year and continue to receive their pension benefit. After the 19th week, they must work *less than* 20 hours per week for the remainder of that fiscal year and remain eligible to continue to receive pension benefits. If the member continues working 20 hours or more

per week, the member will resume active membership, the ASRS will suspend the member's pension benefit and the member's employer will withhold retirement contributions from the member's wages. The member will have to repay the ASRS for any pension payments and health insurance premium benefit payments they received while working 20 or more hours per week starting with the 20th week.

### **EXAMPLES**

- ❑ The member retires June 30 of a given fiscal year. The member returns to work July 1. The member may work for 19 weeks full time and then reduce his hours to less than 20 hours per week for the remainder of the new fiscal year.
- ❑ The member terminates work October 15 and retires October 16. The member has already worked 15 weeks full time. This leaves 4 weeks after retiring that the member could work full time. After working the 4 weeks the member must reduce his hours to less than 20 hours a week for the remainder of the year.
- ❑ A member who has been retired for 12 months (not meeting conditions for ASRS membership) may return to work or continue to work any amount of time and continue to receive pension benefits. Such a member must acknowledge the conditions of his work and notify the ASRS and his employer in writing of his intent to work and not have retirement contributions withheld from his pay or accrue additional credited service or LTD benefits. Additional requirements exist for teachers. (ARS §38-766.01)

**The following examples illustrate how these rules are applied to different *normal retirement* situations.**

- ❑ Mr. Smith is age 55 with 25 years of service (80 points) when he retires effective January 1, 2005. He plans to continue work after retirement without a termination of employment. Mr. Smith has already worked 26 weeks in the fiscal year (since July 1) at 20 or more hours a week. Therefore, his continued work after retirement in the same fiscal year is limited to less than 20 hours a week. From July 1 to December 31, 2005, Mr. Smith may work 19 weeks at 20 or more hours a week. Starting January 1, 2006, Mr. Smith may return to work full time without contributing to the ASRS, as long as he signs a letter of understanding.
- ❑ Ms. Davis will be age 62 and has more than 10 years of ASRS service credit (normal retirement) when she retires October 31. She wants to continue working after retirement. Ms. Davis will work 10 full time weeks in the fiscal year before the start of her retirement. She may work 9 more weeks at 20 or more hours a week in the same fiscal year (a total of 19) and may work the remaining weeks of the year if she reduces her hours to fewer than 20 per week. After the first fiscal year, Ms. Davis may return to work full time for an ASRS employer as long as she signs a letter of understanding that states no



retirement contributions or LTD will be deducted from her pay. If, at a later date, the member wants to purchase this time, she must stop her pension and return to actively contributing to the ASRS. The service can only be purchased under the Other Public Service guidelines.

- ❑ Mr. Jones also has reached normal retirement. He plans to retire effective January 1 and continue working full time at his same job and capacity. Because the employment after retirement will continue to meet the ASRS membership criteria (counting the weeks already worked that year), Mr. Jones will not be eligible to begin receiving retirement benefits.

### **Member Who Retires Early**

A member who elected to receive retirement benefits before normal retirement will receive a reduced benefit at early retirement. The member must have terminated employment in order to retire early and may return to employment with an ASRS employer no earlier than 60 calendar days after the date of termination of employment. (ARS §38.766 and §38-766.01) Early retirement members may return to work under the following circumstances:

- ❑ After 60 calendar days, the member may return to work for less than 20 hours per week for any length of time and remain eligible to continue receiving pension benefits.
- ❑ The member may work 20 hours or more per week for 19 weeks in any fiscal year, and, starting the 20<sup>th</sup> week, may work less than 20 hours per week per week for the remainder of that fiscal year and remain eligible to continue to receive pension benefits.

### **EXAMPLES**

- ❑ A member retires June 30 of a given fiscal year. The member returns to work 60 days later on September 1. The member may work for 19 weeks full time (20 or more hours a week) and then reduce his hours to fewer than 20 per week for the remainder of the fiscal year.
- ❑ A member terminates work September 30 and retires October 1. The member may return to work January 1. Because the member has already worked 13 weeks full time, she is only allowed to work 6 weeks full time as a retiree for the remainder of the fiscal year. After working the 6 weeks full time the member must reduce her hours to fewer than 20 per week (most work 19.5 hours or less) for the remainder of the year.
- ❑ A member who has been retired for 12 months (not meeting conditions for ASRS active membership), upon reaching normal retirement, may return to work for any amount of time and continue to receive pension benefits. Such a member must acknowledge the conditions of his work and notify the ASRS and his employer in writing of his intent to work and not have retirement contributions withheld from his wages or accrue additional credited service or LTD benefits.

### **Independent Contractor**

Many employers allow former employees who are retired with an ASRS retirement benefits to come back to work. Sometimes the employer attempts to help an individual maintain retired status by calling the individual an “independent contractor.” Due to budgetary consideration, some employers simply look to contract services in an effort to save money. Occasionally, the contracted service may be with an individual involved in day-to-day operations of the organization.

Generally, anyone who performs services under the direction and control of the employer is considered an employee. On the other hand, people in business for themselves are considered independent contractors and are NOT employees. In these situations, the ASRS recommends a review of the Internal Revenue Code to determine the appropriate action.

## Notes

## Sample Retiree Return to Work Form



### ARIZONA STATE RETIREMENT RETIREE RETURN TO WORK FORM

|            |           |
|------------|-----------|
| NAME       | HIRE DATE |
| DEPARTMENT | POSITION  |

*Please check the retirement status that applies to you:*

☐ **NORMAL RETIREMENT:** An individual designated under normal retirement conditions, may return to employment under the following circumstances:

- Individual retires at the age of 65, or at the age of 62 with at least 10 years of service credit or a total of 80 points.
- Individual may work less than 20 hours per week for any length of time and remain eligible to continue to receive pension benefits.
- The individual may work 20 hours or more per week for 19 weeks in any fiscal year. Beginning with the 20<sup>th</sup> week, the individual may work no more than 19.5 hours per week for the remainder of that same fiscal year, which means the individual will continue to receive pension benefits.
- An individual who has been retired for 12 months may return to work for any amount of time and continue to receive pension benefits.

**Note:** If an active member of ASRS works more than 20 hours week, starting with the 20<sup>th</sup> week, this individual's pension benefits will be suspended. Furthermore, retirement contributions will be withheld from the individual's Maricopa County paycheck. Consequently, the individual will have to repay ASRS for any pension payments and health insurance benefit payments.

☐ **EARLY RETIREMENT:** An individual designated under early retirement conditions, may return to employment under the following circumstances:

- An individual may return to work no earlier than 60 calendar days after the date of termination.
- Individuals may work less than 20 hours per week for any length of time and remain eligible to continue to receive pension benefits.
- The individual may work 20 hours or more per week for 19 weeks in any fiscal year. Starting the 20<sup>th</sup> week, the individual may work no more than 19.5 hours per week for the remainder of the same fiscal year, allowing for eligibility to continue to receive pension benefits.
- An individual who has been retired for 12 months, upon reaching normal retirement, may return to work any amount of time and continue to receive pension benefits.


**Note:** If an active member of ASRS works more than 20 hours week, starting with the 20<sup>th</sup> week, this individual's pension benefits will be suspended. Furthermore, retirement contributions will be withheld from the individual's Maricopa County paycheck. Consequently, the individual will have to repay ASRS for any pension payments and health insurance benefit payments. If you have further questions on the specifics of your retirement status, please contact the Arizona State Retirement System at 602-24-2000.

|                      |      |
|----------------------|------|
| EMPLOYEE SIGNATURE   | DATE |
| DEPARTMENT SIGNATURE | DATE |

Human Resources • 301 W Jefferson, Suite 220, Phoenix, 85003 • 602-506-3519

June 2003

## Sample Retiree Return to Work Form

|   |  |  |
|---|--|--|
| Tucson Unified School District<br><br><i>Celebrate the US!</i><br><b>Human Resources Department</b>  |  | Telephone: (520) 225-6035<br>Fax: (520) 798-8683<br><a href="http://www.tusd.k12.az.us">www.tusd.k12.az.us</a> |
| PO Box 40400<br>1010 E. 10 <sup>th</sup> Street<br>Tucson, AZ 85719   |  |  |
| <b><u>Arizona State Retirement System Information</u></b>   |  |  |
|   |  |  |
| <b>Printed Name</b>   |  | <b>Social Security Number</b>  |
| <b>1. Are you a TUSD Retiree?</b>   | <input type="checkbox"/> Yes   | <input type="checkbox"/> No  |
| <b>If Yes, did you accept the Employee Severance Plan (ESP)?</b>  | <input type="checkbox"/> Yes   | <b>Date:</b> <input type="checkbox"/> No   |
| <b>2. Are you an ASRS Retiree who is receiving a monthly pension from ASRS?</b>   | <input type="checkbox"/> Yes <i>*If Yes, carefully read the attached ASRS "Return To Work Fact Sheet".</i> |  |
|   | <input type="checkbox"/> No <i>*If No, please review the attached ASRS "Membership Fact Sheet".</i>        |  |
| <p><b>If you answered <u>No</u> to question 2 above, please sign below at item 3 to acknowledge that you have received the ASRS Membership Fact Sheet. You do not need to complete any more information. Please return this form to Human Resources.</b></p> <p><b>If you answered <u>Yes</u> to question 2 above, the attached ASRS Return to Work Fact Sheet explains the conditions of your employment. Please carefully read it, complete items 4, 5 and 6 and return this form to Human Resources.</b></p>   |  |  |
| 3.  |  |  |
| <b>Signature</b>  |  | <b>Date</b>  |
| <b>4. Did you take "Normal Retirement" from ASRS?</b>   | <input type="checkbox"/> Yes   | <b>Date:</b> <input type="checkbox"/> No   |
| <b>5. If you took "Early Retirement" from ASRS, when will you reach "Normal Retirement"?</b>  | <b>Date:</b>   |  |
| <p><b>If you rescind your retirement with ASRS, you must notify TUSD Human Resources within 14 days.</b></p> <p>I have read and understand the ASRS Return to Work Fact Sheet and understand how the 20/20 rule applies to me. If I retired under "Normal Retirement" with the ASRS, I understand that I must abide by the 20/20 rule until one year past my "Normal Retirement" date. If I am an "Early Retiree" with the ASRS, I understand that I must abide by the 20/20 rule until I have been retired 12 months and reached normal retirement. I understand that if my working hours exceed the 20/20 rule before I am eligible to work beyond the 20/20 rule, TUSD will take ASRS contributions from my paycheck and I may lose my pension benefit.</p> <p>If I choose to continue working after one year past my normal retirement date, I understand that I will not have to abide by the 20/20 rule and acknowledge that no ASRS retirement contributions will be withheld from my paycheck nor will I accrue credited service or LTD benefits.</p> |  |  |
| 6.  |  |  |
| <b>Signature</b>  |  | <b>Date</b>  |
| Notice of Nondiscrimination<br>Tucson Unified School District does not discriminate on the basis of race, color, national origin, sex, sexual orientation, age, religion, or disability in admission or access to, or treatment or employment in its educational programs or activities.  |  |  |

## Resuming Active Membership

If the retiree resumes active membership (returns at 20 or more hours a week for at least 20 weeks) with a former or another ASRS employer, the ASRS must suspend the member's retirement benefit until the member resumes retirement. (The member must advise the ASRS in writing of the return to active membership status.) When the member resumes retirement, the ASRS restarts the retirement benefit payments and adjusts the benefit amount based on any additional compensation and credited service, and the new retirement age. The member resumes retirement status when the member again terminates employment or, if at a normal retirement age, reduces the work schedule to a level that does not meet the 20-week/20-hour membership test. (The member must advise the ASRS in writing of this change in status.)

By returning to active membership, the member will increase his or her retirement benefit by adding credited service. Often, new salaries may be greater than the compensation used in the original benefit calculation. Higher salaries, therefore, will further increase the member's retirement benefit. The member will also have the opportunity to purchase service time which will increase the retirement benefit. If the member's earlier retirement was reduced due to early retirement, the reduction will be lessened or even eliminated. Finally, additional years of service may increase the multiplier used to calculate retirement benefits.

### **Re-Retiring**

The benefit of the former retired member who resumes retirement status is recalculated. The new benefit will be in the same payment option form as the original benefit, with the exception that a retired member who originally chose either a joint and survivor benefit option or the term certain option may elect to rescind that option reverting to a straight life annuity or name a new beneficiary.

The recomputed benefit will be adjusted to include:

- ❑ The additional service credited from the post-retirement service
- ❑ The additional service credit purchased through the service purchase program
- ❑ A re-computation of the final average compensation, taking into consideration compensation paid during the post retirement service
- ❑ A re-computation of the graded multiplier, as the new service credit may increase the multiplier
- ❑ Determination of normal retirement status or an early retirement reduction based on the member's attained age on the date resuming active status.

If the retired member's original retirement occurred during a window period providing an increased retirement benefit, the new benefit shall be computed according to the existing provisions of law, without regard to the provisions of the window period.

## Employer responsibilities

- ❑ Determine whether the retired ASRS member meets ASRS membership qualifications according to the 20-week/20-hour test described earlier in this section.
- ❑ Determine whether the employee desires to retain his or her retired status. (If the member does not want the retirement benefit suspended, the member should restrict the work schedule so that the member does not return to active member status. See “Continuing the retirement benefit after returning to work” below.)
- ❑ If active membership is re-established, i.e., the retired member is hired for at least 20 hours a week for 20 weeks or more in a Section 218-covered position:

Advise the member to inform the ASRS in writing that the member has resumed active membership. You may advise the ASRS on the member's behalf.

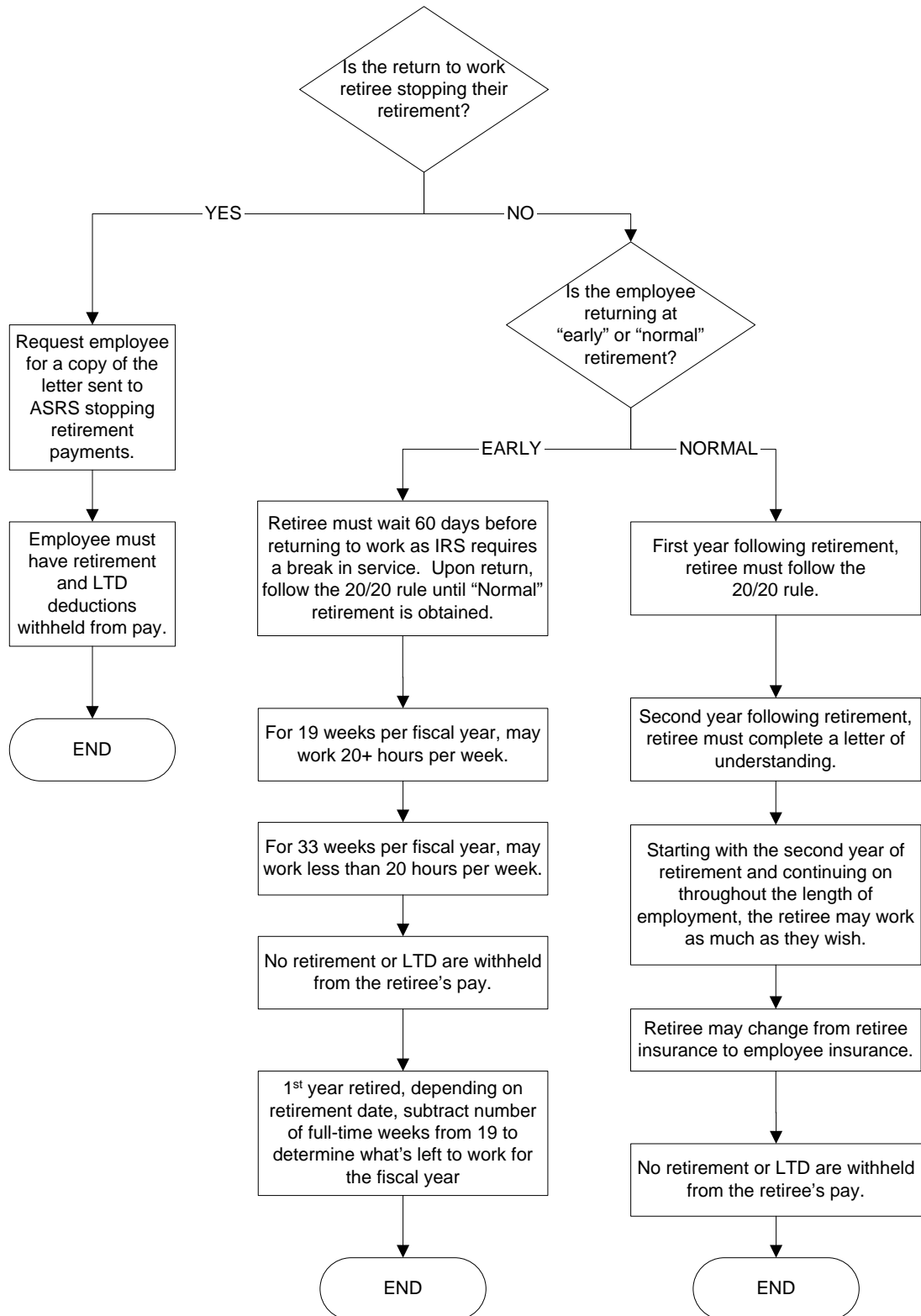
Deduct and report retirement and LTD contributions at the appropriate rates from all covered compensation paid to the member.

Advise the member to inform the ASRS in writing when the member again terminates employment or, if at a normal retirement age, reduces the work schedule to below the 20- week/20-hour criteria. Discontinue deduction of retirement contributions. The ASRS will recalculate the member's retirement benefit and resume payment.

## Notes

## Flow Chart for Return to Work Retirees

(Designed by Sue Witt, ADOA)



## Employer responsibilities

- ❑ Do not withhold contributions if the terms of the employment do not meet the membership qualifications.
- ❑ Monitor the retired member's employment closely. If the employment nears membership criteria, advise the member to curtail hours if the member does not want to lose his or her benefit entitlement.
- ❑ Once the employment meets membership qualification, deduct and report retirement and LTD contributions at the appropriate rates and advise the member to inform the ASRS in writing of the change in status.

## Hiring Retired Members

### **Hiring an ASRS Retired Member into a Non-ASRS Covered Position**

If you hire an ASRS retiree into a position covered by one of the other state retirement plans, the member's ASRS retirement benefit is not affected. The other retirement plans include:

- ❑ Public Safety Personnel Retirement System (PSPRS)
- ❑ Correctional Officers Retirement Plan (CORP)
- ❑ Elected Officials Retirement Plan (EORP)
- ❑ An optional retirement plan sponsored by the Arizona Board of Regents or a community college.

### **Hiring a Retired Member of Another State Retirement Program**

The ASRS treats a retired member of one of the other state retirement programs as any other new employee. The effect of ASRS membership on the member's retirement benefit is determined according to the rules of the other retirement plan.

## Failure to Advise the ASRS of Active Status

If it is determined that the retired member has regained active status, the ASRS must collect any retirement benefits paid to the member after the member has resumed the active status. If the member fails to advise the ASRS in a timely manner, it may take us many months before we identify the situation. The result can be a severe hardship to the member if he or she has to repay several months of benefits. There can be a further problem if you have not withheld the required contributions.



## Correcting Errors

An ASRS employer may inadvertently forget to enroll an eligible employee for participation in the ASRS at the exact time the employee became eligible. This is called a Contributions Not Withheld (CNW) error. Eligibility for participating in the ASRS has changed over the years. The following lists the changes in membership and the salary requirements.

- ❑ **Membership** – Employees must meet the criteria for membership during their employment when contributions were not withheld by an ASRS employer. The position must have been covered under Section 218 of the Social Security Act. Employers may use the information below to determine an employee's membership eligibility. If the employee qualifies for membership, please list the dates of employment by fiscal year.
  - From 7/1/1971 to 6/30/1990, the member worked a minimum of 20 hours per week for at least 5 continuous months in a fiscal year.
  - From 7/1/1990 to 6/30/1992, the member worked a minimum of 20 hours per week for at least 5 months in a fiscal year.
  - From 7/1/1992 to 7/1/1999, the member worked a minimum of 20 hours per week for at least 20 weeks in a fiscal year.
  - From 7/1/1999, membership is defined as working for one employer at least 20 weeks in a fiscal year and at least 20 hours per week. A member could add together work from multiple employers to meet eligibility prior to 7/1/1999.
- ❑ **Salary** – The amount of compensation the member was paid by the employer each fiscal year. To assist the ASRS in calculating the CNW, please provide the salary by fiscal year.

### **Acceptable Forms of Verification**

Verification may be provided by submitting either the Verification of Contributions Not Withheld form or a letter from the employer. See form at end of Section.

### **Burden of Proof**

The initiator of the request for correction of salary and service credits on record with the ASRS is responsible for providing credible evidence of past employment and compensation amounts. (ARS §38-738 B) In some cases, the employer will not have records for the time in question. Below are documents the employee can provide to the employer to support the claim:

| <b>Documents proving member was employed and covered under Section 218 agreement</b> | <b>Documents proving member met time and hours requirements</b> | <b>Documents verifying member's compensation</b> |
|--|---|--|
| Pay Stubs  | Pay Stubs   | Pay Stubs  |
| W-2s   | Contract with W-2s  | W-2s   |
| Employer Verification  | Employer Verification   | Employer Verification                            |
| Personnel Action Form  | Payroll Records   |  |
| Social Security Earnings Report  | Timesheets  |  |

If the employer does not have records and the member is unable to provide sufficient documentation to prove the member's eligibility for a CNW adjustment, the member may choose from one of the following options:

- 1) The member can purchase the time as Other Public Service Non-participatory, and should contact the ASRS for instructions.
- 2) The member can present to the ASRS all of the documentation he or she provided to the employer, along with the employer's response. The ASRS will review the documents and determine eligibility.

### **Employer and Employee Invoice**

Once the ASRS receives the employer verification or the appropriate documentation, the ASRS will issue an invoice. The employer is required by law to pay the monies due within 90 days of the invoice. The employee is then required to make payment within 90 days after the employer has paid their amount. If the employee waits to make payment, the employee will pay the interest due on the remaining monies owed. (ARS §38-7454)

### **Statute of Limitations**

Beginning July 1, 2004, the employer is only responsible for making payments for service worked within 15 years of the date the initiator submits credible evidence.

### **Employer Audit**

An internal ASRS audit will eventually identify a situation where contributions are being reported for a member in a retired status. The Contribution Reporting Section will explain how to clarify the situation. You or the member must advise the ASRS if you discover an error in reporting.

### **Reporting an Error**

If we determine that you withheld and reported contributions in error, we will advise you how to recover the erroneous contributions. As this error is corrected, the member's account and service credit may be reduced.

**Do not wait for the ASRS to contact you.**

## Notes

# Sample Verification of Contributions Not Withheld Form



## ARIZONA STATE RETIREMENT SYSTEM (ASRS) VERIFICATION OF CONTRIBUTIONS NOT WITHHELD (CNW) *EMPLOYER USE ONLY*

PLEASE PRINT  
COMPLETE AND SEND  
TO: ASRS - Member Services  
PO Box 33910  
Phoenix, AZ 85067-3910

Phoenix (602) 240-2000  
Tucson (520) 239-3100  
Toll-free (800) 621-3778  
TTY (602) 240-5333  
www.asrs.state.az.us

The following should be completed by the payroll or human resources manager. Please print

### 1) Member Information

|   |  |  |
|---|--|--|
| Social Security Number<br><i>000-00-0000</i>  | Member Name (Last, First, Middle)<br><i>Doe, John Q.</i> | Other Names Used<br><i>(e.g., Maiden Name)</i>   |
| Do you have records available for this employee?<br><input type="checkbox"/> Yes <input type="checkbox"/> No  |  | Was position covered by Social Security 218 Agreement?<br><input type="checkbox"/> Yes <input type="checkbox"/> No |
| Position title and status (i.e. permanent, seasonal, etc.) at time of claim.<br><i>Clerk Typist—Temporary</i> |  |  |

### 2) Statements of Understanding and Agreement

You (*the employer*) must initial the following to indicate you understand and agree with each statement.

|         |  |
|---------|--|
| initial | I understand it is my responsibility to verify the accuracy of the information I am providing below. I understand any person who knowingly makes any false statement, or who falsifies or permits to be falsified any record of the retirement plan with an intent to defraud the plan, is guilty of a Class 6 felony pursuant to Arizona Revised Statutes § 38-793. |
| initial | I understand, by completing the chart below, the employer will receive an invoice for the contributions owed during the time listed as well as the accumulated interest on the CNW for both the member and employer contributions.   |

### 3) Employment Information

| Fiscal Year<br><br>Example:<br>1989-1990 | Check each month worked. |     |          |          |          |          |     |     |     |     |     |     | List hours and salary for each year.*                                |              |
|--|--------------------------|-----|----------|----------|----------|----------|-----|-----|-----|-----|-----|-----|--|--------------|
|  | Jul                      | Aug | Sep      | Oct      | Nov      | Dec      | Jan | Feb | Mar | Apr | May | Jun | *Please make sure salary is based on fiscal year, not calendar year. |              |
|  |                          |     |          |          |          |          |     |     |     |     |     |     | Fiscal Year Salary for Months Listed                                 | Weekly Hours |
| <i>95-96</i>                             |                          |     | <i>X</i> | <i>X</i> | <i>X</i> | <i>X</i> |     |     |     |     |     |     | <i>\$7,495.65</i>  | <i>20</i>    |
|  |                          |     |          |          |          |          |     |     |     |     |     |     |  |              |
|  |                          |     |          |          |          |          |     |     |     |     |     |     |  |              |
|  |                          |     |          |          |          |          |     |     |     |     |     |     |  |              |
|  |                          |     |          |          |          |          |     |     |     |     |     |     |  |              |
|  |                          |     |          |          |          |          |     |     |     |     |     |     |  |              |
|  |                          |     |          |          |          |          |     |     |     |     |     |     |  |              |

### 4) Employer Information and Signature of Authorized Payroll or Human Resources Manager

|   |  |
|---|--|
| Employer Name<br><i>Full Employer Name</i>  | Phone Number<br><i>(602) 555-5555</i>                              |
| Name of Authorized Payroll or HR Manager ( <i>Please print.</i> )<br><i>Print HR Manager's Name</i> | Title<br><i>HR Manager, Business Manager or Payroll Supervisor</i> |
| Signature of Authorized Payroll or HR Manager ( <i>Please sign.</i> )<br><i>Sign here</i>           | Date<br><i>TODAY'S DATE</i>  |

Disclosure of member's Social Security number is mandated by Section 6109 of the Internal Revenue Code. \*The ASRS will use Social Security numbers only to obtain information about an individual's ASRS account to inform the Internal Revenue Service about distributions and withholdings with respect to the individual's account.

Verification of Contributions Not Withheld (Employer Use Only)

Page 1 of 1

Revised: 08/26/04



\*The ASRS will use Social Security numbers only to collect and retrieve information about an individual's ASRS account and to make returns and reports to the Internal Revenue Service about distributions and withholdings with respect to the individual's account.

# 5. COMPENSATION

## ASRS Employer Manual

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|---|-------------|
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| <b>Retirement Compensation</b>  | <b>5-2</b>  |
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# 5. COMPENSATION

## Employer Responsibilities

You must withhold retirement contributions and long-term disability (LTD) contributions at the rates prescribed by the ASRS from all compensation paid to employees who meet the ASRS membership criteria (ARS §38-736 and §38-737). The employer must match the retirement and LTD amounts withheld from the employees' wages. See Section 6, Contribution Reporting, for details on responsibilities and procedures for remitting the amounts withheld.

The ASRS will advise you each year of the retirement and LTD rates for the next year.

## Retirement Compensation

### **What is Compensation for Retirement?**

Generally, compensation means the gross amount paid to a member by an employer as salary or wages for services rendered that are due and payable at or before termination of employment. The gross amount includes: (ARS §38-711, Subsections 5 and 7)

- ❑ Total regular salary or wages paid, including overtime, standby pay, on-call pay, hazardous duty pay, and any other payment for services rendered
- ❑ Final payments of regular salary and wages as above paid at the time of termination
- ❑ Amounts paid to a member on administrative, sabbatical, vacation, annual, sick, personal leave, or other paid leave status
- ❑ Amounts paid periodically under an employer policy to reduce the member's accrued annual, sick or general leave balance to a prescribed maximum if not triggered by the member's pending termination or retirement.

**NOTE:** *If the member has an option to take the payment in lieu of a continued benefit, that is, the member can choose between "selling" back leave hours and retaining a benefit for the hours, the payment for the leave hours is not compensation (i.e., selling back sick time hours to pay for medical expenses or exercise equipment).*

- ❑ Amounts paid for compensatory time or holiday pay (other than at termination)
- ❑ Amounts paid as awards, bonuses or incentives, if not paid because the member is terminating employment. Such payments may be in the form of a suggestion award, longevity pay, performance or merit award or other similar payments.
- ❑ Amounts subject to deferred compensation under Section 457 of the Internal Revenue Code (IRC), tax-sheltered annuities under IRC Section 403 (b). That does not include a termination 403(b) account or IRC Section 125 cafeteria plans if election is made by the employee.
- ❑ Amounts that would have been paid except for the member's election or a legal requirement that all or part of the pay be used for other purposes. Such amounts would include amounts withheld from the member's pay according to a tax levy, court order for child support or other similar situation.
- ❑ Amounts paid in accordance with a court order or agreement that directs salary/wages to be paid for a specific period to resolve a grievance over an employee's termination, or an equal opportunity, discrimination or other such dispute. Back-pay awards are included in this category. Call the External Affairs Division for instructions.

### **What is Not Compensation for Retirement?**

Do not withhold retirement contributions from amounts not defined as compensation. The general definition of compensation excludes the following payments: (ARS §38-711.5 and 7)

- ❑ Termination payments (meaning any payments made at, or as a result of, termination of employment), whether made in a lump sum or in installments before, at, or after termination, for (see *Other Issues* for membership prior to January 1, 1984 on page 5-5):
  - Accrued vacation, annual or sick leave
  - Accrued compensatory time
  - Any other form of pay designated as severance, special performance, stability continuing service, longevity and other forms of pay that would not have been paid if the employee were not terminating
  - Any payments intended as an incentive for early retirement

***NOTE:*** *In determining whether a payment at termination is compensation for retirement purposes, you must consider the circumstances of the*

*payment. If the payment is made to any employee who meets eligibility criteria for the payment regardless of termination status, the payment is subject to ASRS contributions. If the payment is made because the member is terminating employment and would not be made if the member did not terminate, the payment is not compensation for retirement. (See exception below.)*

- ❑ A buy-out or contract payoff of an employee. Such payments are considered to be payments to forfeit a property right and as such do not constitute wages.
- ❑ Employer mandated IRC Cafeteria Plans
- ❑ Any payment that is an allowance or reimbursement of business expenses, such as amounts paid as a travel, automobile, housing, or uniform allowance, or dues to a professional organization or for business functions

**NOTE:** *If the amount paid to a member as an allowance exceeds the actual expenses incurred by the member, the amount in excess of the expenses is compensation for retirement purposes. See "Travel allowances" later in this section.*

- ❑ Damages, costs, attorney fees, interest or other penalties paid pursuant to a court order or agreement to satisfy a grievance or claim, even though the amount of the payment may be based in whole or in part on previous salary or wage levels

**NOTE:** *Such payments may be compensation for retirement purposes if the court order or agreement directs salary or wages to be paid for a specific period. If such a situation arises, contact the External Affairs Division.*

- ❑ Payments at the member's option instead of fringe benefits that are normally paid for or provided by the employer
- ❑ Merit awards pursuant to ARS Section §38-613 and performance bonuses paid to assistant attorneys general pursuant to ARS Section §41-192.
- ❑ The premium value for excess life insurance.

### **Exception**

The last 120 months of compensation is the range used to determine the average monthly salary for either the highest 36 or 60 consecutive months. Any month(s) for which no contributions are reported to ASRS or that fall within a period of non-paid or partially paid leave of absence (LOA) or sabbatical leave are excluded from the consecutive months. After the LOA or sabbatical is terminated, the employer must send written documentation to the ASRS. If no documentation is received, the partial LOA or sabbatical contributions may be used in determining



the average monthly salary. See Section 7, Purchase of Service Credit for a copy of the LOA form. Contact the External Affairs Division for instructions.

## Other Issues

### Exception to Termination Payment Exclusion: Membership Before January 1, 1984

The determination of compensation may be different for employees whose ASRS membership began before January 1, 1984. These members are entitled to the provisions of the ASRS that existed when their membership began. The definition of compensation prior to January 1, 1984 did not exclude lump-sum payments at termination and other payments for services excluded in the current definition. Such payments may be included in compensation for retirement purposes at the member's option.

The tradeoff is that the member's average monthly compensation for calculating the retirement benefit is averaged over the highest consecutive 60 months of compensation (within the last 120 months of service). Normally, the calculation involves an average of the highest 36 months. For the 60-month average with the termination payment to be to the member's advantage, the payment must be large enough to offset the use of two years of lower earnings in determining the average. If the member informs an ASRS benefits advisor of the expected termination amounts payable at retirement, the benefits advisor usually can tell the member whether the termination amount and the 60-month average are to the member's advantage. See Section 6, Contribution Reporting, and Section 8, Leaving Employment, for more information.

The member may qualify for this exception through employment with the current or former employer, if the member did not forfeit ASRS service for the prior membership by taking a return of contributions (refund). If a member reinstates any part of previously forfeited ASRS service performed before January 1, 1984, the member restores the right to the exception to the termination pay exclusion from compensation.

***NOTE:*** Retirement contributions are deducted from termination payments if this payment is to be used in the average monthly compensation. Long term disability contributions are not deducted on termination payments.

### Early Retirement Incentive Plans

Under a retirement incentive plan, an employer agrees to make certain payments to an employee in exchange for the employee's agreement to terminate employment earlier than the employee otherwise would have. The payments may

be considered “termination pay” and a member may elect to have such payments used in the calculation of the member’s retirement benefit under the following circumstances (ARS §38-749):

- ❑ The member began ASRS membership before January 1, 1984 (or reinstated previously forfeited service from before January 1, 1984)
- ❑ The member terminates employment
- ❑ The member receives the incentive payments in a lump sum or in installments before or at termination
- ❑ Any work requirement plan cannot be of a substantial duration such that it would be in violation of Internal Revenue Code rules prohibiting an “in-service distribution” from the retirement plan. (The ASRS has accepted plans requiring members to work up to 20 days per year as meeting this condition. Refer any plan with a work requirement greater than 20 days a year to the ASRS for review.)
- ❑ The incentive payments are treated as termination pay. The member may elect to use the payments in the benefit calculation only under the 60-month method of averaging compensation.

If the member elects to use incentive payments in the benefit calculation, the employer shall remit the employee retirement contributions and the employer matching amounts on the total of the incentive payments promised under the plan before or at the time of termination, even if the payments are made in installments after retirement.

Termination pay and post-retirement payments due to changes in the law and changes in employers offering retirement incentive programs have produced many questions. The basic question is whether certain payments are included in “compensation” for retirement benefit calculations.

The Arizona Attorney General Opinion No. 101-004 (January 24, 2001) concluded that compensation not owed until after retirement could not be considered in calculating benefits. The ASRS applies the following rules to termination pay in order to comply with the statutes and the Attorney General Opinion No. 101-004:

- ❑ All payments made or legally payable to a member up to the date of retirement (excluding termination payments for post 1984 employees) will be considered in the benefits calculation.
- ❑ Payments legally payable to a member prior to the retirement date but made after retirement at the election of the member will be considered in the benefits calculation. These payments are for vacation, annual, sick, compensatory time or overtime pay only.
- ❑ Payments made after a member’s retirement date that were not legally payable at the retirement date will not be considered in the benefits

calculation. Payments such as Educational Proposition 301 monies, gaming monies or Voluntary Retirement Incentive programs are also not included.

- ❑ Retirement contributions are taken out of the termination pay at the current contribution rate in effect at the time of payment. Long Term Disability monies are not taken out of the termination pay.

ARS §38-749 (effective July 1, 2005) states “if a retirement incentive program that is offered by an employer results in an actuarial unfunded liability to ASRS, the employer shall pay to the ASRS the amount of the unfunded liability.” This includes additional monies, credited service or points that the employer provides to a member in exchange for a member’s written agreement to retire on a specific date. If there is a total increase in compensation of 30 percent or more that is given to a member in any one or more years of the last three years before retirement and if that increase in compensation is used to calculate the member’s retirement benefit, a funded liability is created, as long as this increase is not attributed to a promotion; reclassification of the position; merit or a cost of living increase; accrued vacation, annual, personal or sick leave, or compensatory time.

Under this opinion, the ASRS has been deluged with questions from employers. Remember that the test is whether the amount is **owed** at or near the time of termination of employment, **not when the payment is made**. For example:

- ❑ A member retires after 25 years with a school district. Educational Proposition 301 monies and gaming monies are owed. The monies are paid in the last regular paycheck. Will the ASRS accept these monies? The answer is yes. They will be used in either the 36 or 60 month average of salary for determining the benefits.
- ❑ A member terminates employment after 25 years with a school district. Educational Proposition 301 monies, gaming monies, performance pay monies are paid three months after termination.
  - If the member retired, then no contributions are taken out for the ASRS as the member has retired.
  - If the member immediately goes to work for another ASRS employer, then contributions are deducted and sent to the ASRS.

### **Continuing to Work While Participating in a Retirement Incentive Plan**

After starting the retirement incentive plan, if the member continues to work for the same employer, the ASRS will conclude that the member has not terminated employment. The member will earn ASRS service credit for the continued employment and will not be eligible to retire until the work is completed.

Treatment of any portion of the incentive payments paid to the member for the “continued work” depends on whether the employer makes additional payments to the member for the work. If a portion of the incentive payments is paid to the

member for work after starting under the incentive plan and this is the only compensation to the member for the continued work, the ASRS considers the payment to be regular compensation for the work. The payment is subject to retirement and long term disability contributions. The ASRS will consider any remaining incentive payments to be termination pay that may be used by eligible members in the benefit calculation only under the 60 month method of averaging compensation. LTD contributions are not paid on the portion of the incentive payments treated as termination pay.

If the member receives regular pay for the work in addition to a portion of the incentive payments, the total of incentive payments will be treated as termination pay. The regular pay for the services will be treated as regular compensation for retirement purposes. Long term disability contributions will be required from these amounts as well.

### **When Should Contributions be Withheld from Lump-Sum Payments at Termination?**

General rules:

Withhold contributions from lump-sum payments at termination:

- ❑ If the member began ASRS membership before Jan. 1, 1984, and
- ❑ If the member has not told you to not withhold for retirement.

Do not withhold contributions from lump-sum payments at termination:

- ❑ If the member began ASRS membership on or after Jan. 1, 1984, or
- ❑ If the member began membership before Jan. 1, 1984, and the member advises you not to withhold contributions.

### **"Final Salary and Lump Sum Verification" Letter**

The ASRS uses the "Final Salary and Lump Sum Verification" letter to verify a member's termination date. The ASRS will also ask you to verify the member's final three payments, including any termination payments. This is necessary to facilitate the benefit calculation process because the ASRS contribution processing system updates member contribution postings on a monthly batch basis. Obtaining the final payments on the verification letter allows the ASRS to proceed with the benefit calculation without waiting for the next contribution posting run.

The ASRS will send you the verification letter approximately two weeks prior to the termination date (as indicated on the application). If the retirement application is received after the member's termination, we will forward the verification letter at that time. (The ASRS does not require a letter of verification if the member's retirement date is more than 3 months after termination.)

Complete the requested information on the "Final Salary and Lump Sum Verification" letter as soon as possible after receiving it. If the verification letter is not received by the 15th of the month, the ASRS Administrative Services Division will contact you for the required information. The member's retirement payment cannot be made without the verification letter. See the end of this Section for a sample form.

### Termination Payments

Payment of accrued annual and sick leave hours, severance and other payments made because a member is terminating employment may be treated as retirement compensation when made to eligible members, at the member's election. (ARS §38-711) The ASRS will determine if the severance, termination, or retirement incentive payments qualify to be used in determining the retirement benefit. See Section 6, Contribution Reporting, for more information on termination pay.

Do not withhold contributions from termination payments made to members who are not eligible to use termination pay in the benefit calculation. If you need assistance in determining the member's eligibility or the severance or retirement incentive eligibility, contact the External Affairs Division.

### Excess Contributions on Termination Payments

If the 60-month average with the lump-sum amounts does not provide a greater benefit for the member or if the member is not eligible for the 60-month average, the ASRS will return to the employer both the employee and employer contributions received for the termination payments. On receipt of excess contributions from the ASRS, return the employee amounts to the member. Because the contributions were withheld on a pre-tax basis, a correction to taxable income and tax withheld is required when the contributions are returned to the employee. If the withholding occurred in a prior calendar year, you must also prepare and issue a corrected W-2 to change the amounts of taxable income and tax withheld reported.

### **How to Avoid Excess Contribution Situations**

The excess contribution situation can be minimized by ensuring that the member has information available regarding expected termination payments when the member requests an estimate of his or her retirement benefits. If the member has not provided this information to the ASRS before retirement, call the External Affairs Division before completing the member's final pay. External Affairs can take the information on the termination payment and determine whether you should withhold retirement contributions.

## IRC 125 Cafeteria Plans

Internal Revenue Code (IRC) Section 125(c) allows an employer to provide employees with a "cafeteria plan" option for certain fringe benefits. Under this type plan, an employee may direct a portion of salary into what is called a "flexible spending account." This money is then used to purchase benefits, such as medical and dental insurance premiums, life insurance and child care. Money directed to a flexible spending account under an IRC 125(c) plan is not taxed, lowering the employee's taxable income. (Questions regarding establishing and maintaining an IRC 125(c) plan must be directed to your legal advisor or the IRS.)

As stated in the section *What is Compensation for Retirement?* the ASRS includes amounts deferred under an IRC 125(c) plan in compensation for retirement purposes.

## Special Compensation or Pay Plans

To avoid later interpretation that may be detrimental to your employees, the ASRS recommends that you forward a copy of any existing (not already reviewed by the ASRS) or proposed special compensation or pay plan to the ASRS External Affairs Division for review. The ASRS staff will review the plan to determine whether the payments made under the plan should be included as salary for ASRS retirement purposes.

Examples of these plans include:

Early retirement incentives (see above), severance pay, experience and longevity pay plans, merit and performance awards, suggestion awards, accrued leave payoffs, settlements or legal decisions, and any other compensation plans that are in addition to or replace the usual and normal employee pay schedule or policy. These plans may qualify as compensation if they meet certain conditions.

Amended plans already reviewed by the ASRS should again be referred to the ASRS for re-determination. This will assure that the previous determination is still valid.

## Notes

## Maximum Compensation

ARS §38-746 and Internal Revenue Code Section 401(a)(17) limit the annual compensation that may be taken into account under the ASRS for any fiscal year. Contributions are not paid on any compensation that exceeds the annual limit.

### Annual Compensation Limit

| <b>Fiscal Year<br/>(Membership<br/>Before 7/1/1996)</b> | <b>Annual Limit</b> | <b>Fiscal Year<br/>(Membership<br/>After 7/1/1996)</b> | <b>Annual Limit</b> |
|---|---------------------|--|---------------------|
| 1995-1996   | \$245,000           | 1995-1996  | \$170,000           |
| 1996-1997   | \$250,000           | 1996-1997  | \$170,000           |
| 1997-1998   | \$260,000           | 1997-1998  | \$170,000           |
| 1998-1999   | \$265,000           | 1998-1999  | \$170,000           |
| 1999-2000   | \$270,000           | 1999-2000  | \$170,000           |
| 2000-2001   | \$275,000           | 2000-2001  | \$170,000           |
| 2001-2002   | \$285,000           | 2001-2002  | \$200,000           |
| 2002-2003   | \$295,000           | 2002-2003  | \$200,000           |
| 2003-2004   | \$300,000           | 2003-2004  | \$200,000           |
| 2004-2005   | \$305,000           | 2004-2005  | \$205,000           |
| 2005-2006   | \$315,000           | 2005-2006  | \$210,000           |
| 2006-2007   |                     | 2006-2007  |                     |
| 2007-2008   |                     | 2007-2008  |                     |
| 2008-2009   |                     | 2008-2009  |                     |
| 2009-2010   |                     | 2009-2010  |                     |

The U.S. Secretary of the Treasury indexes the annual maximum to changes in the consumer price index, and, therefore, will change the maximum periodically. The ASRS will advise employers of changes when announced by the U.S. Treasury.

A payment in excess of the maximum allowable compensation amount is not compensation for retirement. The ASRS will return contributions received on such excess amounts to the employer.

## Employer responsibilities

- 1) You must stop withholding retirement contributions from compensation when a member's compensation for the year exceeds the maximum.
- 2) To ensure that a member whose compensation exceeds the annual maximum receives full service credit for the year, you must advise the ASRS Contribution Accounting Program before the end of the fiscal year that contribution withholding ceased because the member's compensation reached the maximum. Provide the ASRS the following information:
  - The last pay period for which contributions were reported for the member
  - Any pay periods not worked after the last pay period for which contributions were reported
  - The last date worked in the fiscal year
  - The total compensation from which contributions were deducted
  - The total compensation paid to the member in the fiscal year

***NOTE:*** The compensation limitation does not apply to contributions for the long-term disability program.

## Worker's Compensation Limits

Amounts received by an employee as worker's compensation benefits are not compensation for retirement or LTD purposes. (ARS §38-711 Subsection 5 and 7)

Some employers supplement worker's compensation up to the amount of the member's regular pay by reducing the member's leave balance from the amount of the additional compensation paid. The amount paid from the member's leave balance is compensation for retirement and LTD.

Other employers may permit the employee to sign over the worker's compensation check to the employer. The employer then continues to pay the employee the normal pay amount. In such instances, only the portion of the payment exceeding the worker's compensation amount is ASRS compensation. The additional pay may or may not come from the member's leave balance.

Credited service will accrue to the member's account based on the contributions actually reported. No credited service will accrue to the account during the worker's compensation period if no supplemental payments are reported to the ASRS (unless the member also qualifies for and receives long-term disability benefits).



The reduced salary/compensation amounts are excluded in determining the average monthly compensation used in calculating the member's retirement benefit. If this period of time falls within the last 120 months of employment, the employer must notify ASRS (through written communication) of this reduction by listing dates and compensation paid.

### Employer Responsibilities

- ❑ Deduct and report retirement contributions from amounts included in ASRS compensation, as discussed above. Do not deduct contributions from amounts included in worker's compensation.
- ❑ When the member returns to employment or terminates employment without returning to work, advise the ASRS of the period in this situation. The ASRS deletes months with no or partial pay from the computation of the member's retirement benefit.

## Compensation for the Long-Term Disability Plan

Compensation subject to contributions for the Long-Term Disability (LTD) plan generally is the same as for retirement with the following exceptions:

Like the retirement definition of compensation, the definition for LTD purposes excludes termination payments from compensation. The exception to retirement compensation regarding termination payoffs is based on the change in the definition effective January 1, 1984. Because the LTD program was established after that date, the exception does not apply. Therefore, LTD contributions should not be withheld from lump-sum termination payments (in one payment or in a series) made to any ASRS members, regardless of the membership date.

Also, the limitation on compensation for Military Call-Up does not apply to contributions for the long-term disability program. LTD should be withheld from all compensation amounts.

In effect, the LTD contributions are a premium for an insurance program, and therefore, are not refundable to the member on termination.

## Compensation for Military Call-Up

An active member who is called to military duty is eligible to receive service credit and have the employer pay all contributions for up to 60 months of credit if the member returns to employment within the required 90 days (or dies in service). If the employer pays the member leave payments during the call-up period, contributions and payroll deductions (PDA) should be paid on these payments. The contributions will be subject to a refund for those members who return within the stipulated 90 days.

The ASRS employer is required by law to provide the ASRS with military documents and the salary prior to the Military Call-Up. To simplify the process, the ASRS has created a Military Call-Up form for the employer to complete. Military documents that are acceptable include the DD-214, military orders, or any other official military records. The ASRS employer is required to send all documentation to the ASRS within 90 days of the employee returning to work. See sample at end of this section.

An audit of the member's account will be completed.

- 1) If contributions were taken out during that time, both the retirement and LTD contributions will be returned to the employer.
- 2) A cost letter is then generated and mailed out for the military call-up service.
- 3) The employer is given 14 days from the date of the letter to return the contributions before a penalty is assessed.

If the employee is killed while on a Military Call-Up, the employer will need to submit the death report along with all other documents. The Military Call-Up process must be completed before the survivor benefits can be determined.

## ASRS Contribution Rates

For current and historical contribution rates paid by the employer and employee and the interest paid on contributions please refer to the Annual Financial Report. The report can be found on the ASRS website at [www.asrs.state.az.us](http://www.asrs.state.az.us) or by contacting External Affairs.

# Tax Status of Contributions

## **Retirement contributions**

Member retirement contributions to the ASRS after June 30, 1986 are exempt from federal income tax withholding under Section 414(h)(2) of the Internal Revenue Code. Contributions also are exempt from state income tax withholding. Tax is deferred until the member is paid a benefit or refund.

The retirement contributions are deducted from compensation on a "pre-tax" basis. That is, the contributions are withheld from gross pay, and the gross is reduced by the amount of the deduction before determining the member's taxable income.

## **LTD contributions**

Unlike retirement contributions, contributions to the LTD program cannot be deducted on a pre-tax basis. This deduction does not reduce taxable income. Contributions are withheld from the gross pay (before optional pre-tax deductions are taken out).

## Notes

## Sample Presidential Call-Up Form



### ARIZONA STATE RETIREMENT SYSTEM (ASRS) PRESIDENTIAL CALL-UP

PLEASE PRINT

COMPLETE AND SEND TO:  
ASRS – Member Services  
PO Box 33910  
Phoenix, AZ 85067-3910

Phoenix (602) 240-2000  
Tucson (520) 239-3100  
Toll-Free (800) 621-3778  
TTY (602) 240-5333  
Fsx (602) 240-5340  
www.asrs.state.az.us

#### Description

As mandated by A.R.S. § 38-745, an employee who is an active member of the ASRS, is a member of the Arizona National Guard, or is a member of the reserves of the United States military, and volunteers or is ordered into active military service as part of a military call-up is eligible to receive ASRS credited service time while on active duty. The employee must be honorably separated from active duty and return to the same employer within 90 days of either discharge from active duty or release from service-related hospitalization; or died as a result of active military service. The employee can receive a maximum of 60 months of ASRS credited service. The employer must pay both the employee and employer contributions in lump sum upon return to work or receipt of a death certificate. These contributions are based on the salary received immediately before the member volunteered or was ordered into active service.

Should the employee serve over 60 months in the military call-up, the employee can purchase any of the months over the maximum of 60 months by utilizing the standard procedure for purchasing active military service (the employee should contact the ASRS for this information).

The employee must provide a DD-214 or its equivalent to their employer who will then substantiate military service due to military call up. The employer will provide both the DD-214 or its equivalent and the salary to the ASRS. If the employee died as a result of active duty, a death certificate must be provided. Once this document and the employee's DD-214 or equivalent are received, the ASRS will generate an invoice. This invoice will be sent to the person entered in "Employer Contact Name."

#### To be completed by the Employer.

Disclosure of the Social Security number is mandated by Section 6109 of the Internal Revenue Code. The ASRS will use Social Security numbers only to obtain information about an individual's ASRS account to inform the Internal Revenue Service of distributions and withholdings with respect to the individual's account.

#### 1) Member Information

|  |  |
|--|--|
| Social Security Number<br><b>000-00-0000</b> | Member Name (Last, First, Middle)<br><b>Doe, John Q.</b> |
|--|--|

#### 2) Military Service Due to Presidential Call-Up

|   |   |   |
|---|---|---|
| Start Date of Call-Up Service: (MM/DD/YY)<br><b>Can be found on Military Orders</b> | Salary Prior to Call-Up<br><b>\$ 00,000</b>   | Did member receive paid leave during this time?<br><input type="checkbox"/> Yes <input type="checkbox"/> No |
| End Date of Call-Up Service: (MM/DD/YY)<br><b>Can be found on Military Orders</b>   | Returned to Work Date: (MM/DD/YY)<br><b>Employer date of return—is not on Military Orders</b> |   |

#### 3) Employer Information

|   |  |  |
|---|--|--|
| Employer Name<br><b>Full Employer Name</b>              |  |  |
| Employer Address<br><b>Employer Street Address</b>      | City<br><b>Employer City/Town</b>                  | ZIP<br><b>88888</b>                          |
| Employer Contact Name<br><b>Print HR Manager's Name</b> | Employer Telephone Number<br><b>(602) 555-5555</b> | Employer Fax Number<br><b>(602) 555-5555</b> |
| Employer Contact Signature<br><b>Sign Here</b>          |  | Date<br><b>TODAY'S DATE</b>                  |

Presidential Call-up

Page 1 of 1

Revised: 09/30/04



# 6. CONTRIBUTION REPORTING

## ASRS Employer Manual

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# 6. CONTRIBUTION REPORTING

## Employer Responsibilities

Arizona Revised Statutes §38-735, §38-736, §38-737 and the ASRS Retirement Board Administrative Rules (Arizona Administrative Code) require member employers to withhold retirement and long-term disability (LTD) contributions from all eligible compensation paid to members of the ASRS. You must report and remit such contributions along with matching employer contributions in a manner prescribed by the Board for each period of employment for which members are compensated, i.e., each pay period in the employer's payroll schedule. This section summarizes reporting requirements and describes procedures for meeting those requirements.

## General Reporting Information

### Identifying Information

The ASRS assigns a three-digit "Account Number" and six-digit "Department Number" to each employer. Employers may request additional department numbers for separate reporting units, as necessary. For example, the ASRS assigns separate department numbers for reporting certified and classified employees of public school districts. The ASRS also assigns separate numbers for reporting contributions under the old defined contribution program (System). (This applies only to a few active members. The ASRS has advised employers of the members eligible for the defined contribution program.) Employers should not report by any additional department numbers without authorization from the ASRS.

***NOTE:*** Include the appropriate identifying numbers on your contribution reports and any correspondence with the ASRS.

### Contribution Rates

The ASRS sets separate contribution rates for the retirement and LTD programs. Both contribution rates are expressed as a percentage of gross compensation paid to each participant. The ASRS actuary determines the rates using generally accepted actuarial principles as prescribed by statute and the State constitution to determine the contribution rates necessary to support future payments of

retirement and LTD benefits. Future liabilities based on characteristics of the membership are compared against projected assets based on earnings assumptions approved by the Board (ARS §38-714).

Typically, the rate will change every year. Each fall, the ASRS will advise employers by notice from Contribution Accounting and through the ASRS *Employer UPDATE* of the rates for the next fiscal year. Legislative action has required adjustment of the actuarially determined rate several times in past years. Therefore, the ASRS confirms the rates after the close of the legislative session.

The contribution rate for members of the defined contribution program (the System) is 7 percent. There are a few System members who contribute under the defined benefit plan. All employers have been notified regarding these individual members. Call External Affairs if you have any questions.

### **Retirement Contributions**

To calculate each member's retirement contribution, multiply the member's gross compensation by the applicable ASRS retirement contribution rate for the fiscal year. See Section 5, Compensation, for more details.

The retirement contribution is a "pre-tax" deduction from pay. Subtract the member retirement amount withheld from gross pay before determining the member's federal and state income tax withholding. (The member's retirement contributions are considered "picked up" by the employer under section 414(h) of the Internal Revenue Code, and therefore, are excluded from income tax.)

Do **not** reduce the Social Security (FICA) gross pay base by the amount of the member's retirement contribution.

### **Long-Term Disability (LTD) Contributions**

To calculate each member's LTD contribution, multiply the member's gross compensation by the applicable ASRS LTD contribution rate for the fiscal year. This amount may differ from retirement compensation. See "Compensation for LTD" in Section 5, Compensation.

**The LTD contribution is not a "pre-tax" deduction.** Do **not** reduce the federal and state income tax bases or the Social Security tax (FICA) base by the amount of the LTD deduction.

### **Fiscal Year**

The ASRS fiscal year begins July 1 and ends on June 30 of the following calendar year.

### **Report Period**

Payroll reports of retirement and LTD contributions must be reported by "pay period ending" (PPE) date, i.e., the last day of the period that will be included in a

payroll run. (The date that the compensation is actually paid to employees is not relevant for retirement reporting purposes.) Report periods apply to fiscal year according to the PPE date. All correspondence with the ASRS should refer to specific payroll periods by the PPE date, not the pay date. Detailed instructions follow.

## Contribution Reporting Requirements

Report contributions with the following information and materials:

- ❑ Contribution report (**retirement** contributions only)
- ❑ Contribution Summary Report (to include retirement and LTD contribution information)
- ❑ Contribution adjustment information with cover letter of explanation, if necessary, for clarity
- ❑ Remittance

### Contribution Report Methods

Report your retirement contributions by one of two methods: magnetic media (diskette or tape) or the ASRS automated payroll reporting system. Magnetic reporting is preferred from employers who have compatible data processing capabilities. This method requires computer programming to create a tape or diskette direct from the employer's payroll system to provide the required contribution reporting information. The employer also must submit a hard copy printout of the information included on the diskette/tape.

The ASRS automated payroll reporting system is a simplified method of reporting for employers who are unable to make the programming changes necessary to produce the contribution data direct from the employer's payroll system. With this method, the employer keys the contribution data into a reporting program provided by the ASRS and saves to a file which can then be submitted to the ASRS.

Of the magnetic media methods, the ASRS prefers reporting by 3.5-inch diskette. The cost to purchase and mail tapes can be significant. The corresponding costs of diskettes are very inexpensive. The handling and storage of diskettes are also much easier.

LTD contributions are reported according to covered compensation on the Contribution Summary Report. No detail by the employee is required.

ASRS is currently phasing in a new reporting method utilizing the ASRS website. This online contribution reporting is a safe, secure and efficient way to submit payroll contributions. This reporting system is part of the ASRS effort to provide efficient and secure online services to our employers. It will allow employers the



ability to upload contribution data files, adjustment files, fill out contribution Summary Report forms on how the payment should be allocated, and make the payment via ACH through Bank of America.

### **Contribution Summary Report**

The Contribution Summary Report is a transmittal document for your contribution report and remittance. It summarizes the contribution data reported on the contribution report and amounts remitted. See detailed instructions later in this section.

### **Payroll Adjustments**

You may adjust contributions reported on current and prior payrolls with proper documentation and notice to the ASRS. Such corrections may be additions, deletions or changes to payroll reports. Complete instructions for submitting payroll adjustments follow later in this section.

### **Remittance - Form of Payment**

Remit your total employee and employer retirement and LTD contributions by employer warrant, check, bank wire transaction or through the automated clearinghouse (ACH). Make remittance payable to:

ARIZONA STATE RETIREMENT SYSTEM

The total amount due for your report should be remitted on one check, warrant, bank wire transaction or ACH. This total should include both employee and employer retirement contributions and LTD contributions. It is not necessary to separate amounts due by department number or type of contribution. The ASRS will accept multiple checks if you prefer to report that way.

Payment by a bank wire transaction requires special instructions. If interested, contact the ASRS Administrative Services Division, Contribution Accounting Section. When paying by wire transaction, it is still necessary to forward the contribution report, diskette/tape or pre-payroll report, and the Contribution Summary Report to the ASRS.

The ASRS cannot accept a cash payment.

## **Notes**

## Submitting the Contribution Report

Forward the contribution report (diskette/tape with data created by employer payroll system or diskette with data from the ASRS automated payroll reporting system), report printout (if reporting by magnetic media), Contribution Summary Report, payroll adjustments and remittance to:

Arizona State Retirement System  
Attn: Contribution Accounting Section  
P.O. Box 33910  
Phoenix, AZ 85067-3910

The ASRS physical location is 3300 N. Central Avenue, Phoenix, AZ.

Alternately, the contribution report may be submitted through the Automated Clearing House (ACH).

## Report Due Dates - Delinquent Contributions

Payroll reports and the appropriate remittance of employee and employer retirement and LTD contributions are due by the 14<sup>th</sup> calendar day after the last day of the applicable pay period (Pay period ending date).

Contributions received by the ASRS more than 14 days after the end of the pay period for which they were remitted are delinquent and subject to the assessment of late charges until received. Receipt is established by the date stamped on the payroll documents by the ASRS accounting staff, unless the employer produces evidence to support earlier receipt: for example, a signed document of receipt of the payroll by the ASRS.

## Magnetic Media Reporting Procedures and Requirements

For each pay period in the employer's pay cycle, the employer reporting by magnetic media creates a diskette or tape from the employer's payroll system to report payroll retirement contributions for that pay period. (Long-term disability contributions are not included on the tape/diskette.)

If you report by magnetic media, submit a diskette/tape to the ASRS along with a printout of the payroll data, the appropriate remittance of contributions and an ASRS Contribution Summary Report.

Diskettes/tapes received during a calendar month are normally posted to retirement accounts by the middle of the following month. The ASRS returns the diskette/tape after processing.

The ASRS is beginning to accept reports through ACH program. This program operates via the Internet and allows the employer to give both the detail and summary reports. If you are interested in signing up for this reporting program, please contact External Affairs or Contribution Accounting.

### **Format Requirements**

Diskette and tape layout specifications and format requirements can be found at the end of this section. Use these specifications for programming diskette/tape reporting.

If you do not have the programming capabilities to comply with the ASRS format requirements, but have a computer system and would like to report by diskette, contact the ASRS Financial Services Division for more information.

If you are reporting through the ASRS Internet program, formatting is automatic. There are no special requirements.

## Notes

### **Identification - External Label on Diskette/Tape**

Attach an external label to each diskette envelope or tape reel showing the following:

- ☐ Employer Name
- ☐ Account Number
- ☐ Pay Period Ending Date

### **Payroll Printout**

Submit a hard copy printout of the contributions data reported on the diskette/tape. The data on the printout must be identical to the data on the diskette/tape except for adjustments indicated. See "Payroll Adjustments Procedures" later in this section.

The printout is required for historical information and for use in reconciling discrepancies in processing. For each member, enter the employee's name and Social Security number, covered compensation (gross wages/salary), and the employee and employer retirement contributions. (Do **not** include LTD contributions in the report.)

### **Courier Procedures**

You may have retirement contribution diskettes and tapes delivered to the ASRS by courier. The ASRS encourages this process because it saves time and mailing expenses. The following procedures are necessary, however, to control the delivery and return of tapes to avoid loss or misplacement.

The courier must deliver diskettes and tapes to the Contribution Accounting Area on the 5th floor of the ASRS Phoenix office. The ASRS Contribution Accounting clerk or a supervisor will sign a receipt for the diskette/tape.

### **Do not drop off diskettes and tapes at the front counter of the lobby.**

Several different kinds of tapes and other materials are delivered to the ASRS each day. If the diskettes/tapes are not delivered to the Contribution Accounting Area, they may be misdirected within the building, causing a delay in processing.

After processing is complete, diskettes/tapes are released for pickup by courier. Normally, payrolls received within a month are processed by the third week of the following month. The courier will be required to sign a receipt for tapes/diskettes released for return to the employer.

To have diskettes/tapes returned by courier, you must submit a written authorization allowing the release of tapes to a courier. Diskettes/tapes not picked up by courier will be returned to the employer by mail.

# ASRS Automated Payroll Reporting System

## General Information

The ASRS prefers that you report contributions by diskette or tape, if possible. Use the ASRS automated payroll reporting system for reporting **only** if you are unable to report by magnetic media, diskette or tape, directly from your payroll process.

If you must report by the ASRS automated payroll reporting system, please continue. If using magnetic media, skip "Payroll Reporting" and proceed below.

## Payroll Reporting

The ASRS automated payroll reporting system provides a means for reporting retirement contributions by diskette when an employer is unable to produce a tape or diskette directly from the employer's payroll system. An ASRS representative will install the program on your IBM compatible computer. The system is not available for Macintosh computers. With this system, run your payroll each pay period and then enter the data from the payroll into the ASRS contribution report program. The program then transfers the data to a diskette in a format for processing by the ASRS.

The employer submits the diskette along with a hard copy printout of the report and the proper remittance. See complete instructions for installing and maintaining the system later in this section.

## Conversion or Change in Diskette/Tape Reporting

If you want to convert to diskette or tape reporting from the ASRS automated system, or if you are changing hardware or software, submit a test diskette or tape to the ASRS for review. Make sure the words "**Test File**" appear on the external label identifying the diskette/tape. Contact the ASRS Information Services Division for more information.

If live data is presented on the test diskette/tape, indicate by cover letter whether the diskette/tape may be processed if the test is successful. You must retain the ability to re-create the payroll data presented on the diskette/tape if the test is not acceptable.

# Payroll Adjustment Procedures

## What Adjustments May be Made?

It may be necessary to change the current or previously reported contribution information to correctly report amounts due. You may make adjustments to:

- ❑ **Change Amount Reported:** Adjustments that change a previously reported contribution amount, either to increase compensation and contributions previously reported or to reduce by an amount less than the amount originally reported. This type of adjustment does not require a change to credited service.
- ❑ **Add Contributions Omitted:** Adjustments that report a member's contributions for a prior pay period(s) when none had been reported before. The ASRS will adjust the service credited to the retirement account.
- ❑ **Delete Contributions Reported:** Adjustments that completely delete or reverse out contributions previously reported in error on a prior contribution report. Credited service previously added to the account will be removed by the ASRS.

Adjustments must be reported with sufficient documentation and explanations to allow the ASRS to take proper action in regard to the retirement account(s) of the employee(s) whose wages are to be adjusted.

## Why is an Adjustment Necessary?

Adjustments are necessary to correct the information in the member's file. Members earn credited service toward retirement for each pay period reported on their behalf. The compensation amounts contained in each member's retirement account and reflected on the personal statement of retirement benefits are calculated figures. The contributions posted to each account during the fiscal year are divided by the applicable contribution rate to determine the salary amount included in the retirement account file. A member's retirement benefit is determined by the amount of service credited to the member's account and the compensation history.

Consequently, contributions that are misreported will cause a misallocation of service credit and wages to the adjusted accounts. The ASRS must be able to identify the periods requiring adjustment so that the credited service and compensation may be correctly allocated to the member's account.

## What Pay Periods May be Adjusted?

You may make adjustments to the following pay periods:

- ❑ The pay period currently being reported
- ❑ A prior pay period in the current fiscal year

- ❑ A pay period in a prior fiscal year

### **Current Pay Period Adjustments**

Correction to a current pay period after it has been prepared should be reflected on the payroll documents prior to submission. If corrected within the current payroll before submission, no further correction should be necessary.

### **Magnetic Media Reports**

The ASRS assumes that the information on the diskette/tape and the printout agree and match the remittance made. You must advise the ASRS if there is disagreement in your submission and indicate the correct information.

If an error is identified after the diskette/tape has been prepared and the diskette/tape cannot be rerun with the correct data, show an adjustment to a current payroll on the printout or on separate documentation to clearly indicate the change desired. The adjustment must be in the same detail as other payroll transactions. Follow the instructions below:

Indicate the adjustment in one of four ways to change information reported on the diskette/tape:

- 1) Enter the necessary information on the back side of the Contribution Summary Report to explain the adjustment. Submit additional documentation as necessary.
- 2) Enter a separate transaction line annotated to the last page of the printout for each adjustment to show the member's correct name, SSN, compensation and contributions. Line out the erroneous information originally printed to the contribution report printout.
- 3) Enter the correction to the payroll transaction line on the printout to show the correct information for each member whose compensation and contributions are being adjusted.
- 4) Submit separate documentation with the printout to indicate adjustments requested.

Indicate a credit being taken by a leading negative sign or brackets around the dollar amounts.

When reporting adjustments on the payroll printout, change the payroll totals on the printout to reflect the correct amounts and enter the correct totals on the Contribution Summary Report.

When reporting the adjustment by separate documentation, enter the payroll totals from the printout on the Contribution Summary Report and enter the total employee and employer contributions and compensation from the adjustment on

a separate line. The following must be included in the documentation for each employee adjusted:

- ❑ Employee name and SSN
- ❑ Pay period ending date
- ❑ Compensation for the period as reported on the diskette/tape and printout
- ❑ Compensation to be added or deleted
- ❑ Contributions reported on original report
- ❑ Contributions to be added or deleted
- ❑ Total amount of adjustments
- ❑ Reason for the adjustment

### **How to Report Amounts Due or Credit Taken**

Remit the appropriate contributions. The amount remitted should equal the totals reported on the diskette/tape, printout and any additional documentation and Contribution Summary Report. If the adjustment reduces the contributions reported on the diskette/tape, reduce the amount due as indicated on the report by a credit taken for the adjustment.

### **Diskette/Tape Discrepancies**

Employers must keep in mind that the ASRS assumes that the payroll printout provided with a diskette or tape report is an accurate reflection of the diskette/tape and correctly reports the contributions due. The ASRS, therefore, considers any change annotated to the data on the printout to indicate that an adjustment to the information on the diskette/tape is necessary. The ASRS then processes the adjustment as contribution input data.

However, in the event of a discrepancy between the data on the printout and data on the diskette/tape report, the difference must be clearly reconciled on the printout or separate documentation.

If the data on the diskette/tape is correct, annotate the printout to show the necessary change to correct the printout and indicate that no adjustment to the diskette/tape is necessary.

If the printout has been correctly adjusted, but the diskette/tape has not been changed to reflect the correct data, treat the necessary change to the diskette/tape as a payroll adjustment. Indicate that the printout is correct as is, but show the adjustments needed to correct the diskette/tape.

### **Prior Pay Period Adjustments in the Current Fiscal Year**

This section applies to diskette/tape and reporting methods. Contribution transactions reported on previous payroll reports also may be adjusted. However, such adjustments may require a corresponding change to the credited service and compensation allocated to a member's retirement account. It may be necessary to add or delete from the service credited to the account and correctly attribute contributions to the correct fiscal years.



Therefore, additional considerations must be taken in reporting so that the ASRS may identify the adjustments and make the appropriate changes to the retirement account.

You must report adjustments to previously reported payrolls separately from any current payroll because such adjustments lose their identity when included in current payroll amounts. Reporting them separately allows the ASRS to process the adjustments to correctly reflect service credit, compensation and contributions on employee accounts.

Adjustments may be reported by letter or other documentation or on the back side of the Contribution Summary Report with appropriate documentation. Adjustments must be reported in the following detail:

- ☐ Social Security number of the affected employee(s)
- ☐ Name of the employee(s) (Last, First, Middle Initial)
- ☐ Pay period ending date(s) of the period(s) being adjusted
- ☐ Compensation and contributions originally reported
- ☐ Correct compensation and contributions
- ☐ Amount of adjustment
- ☐ Reason for the adjustment
- ☐ Signature of an authorized reporting official

### **Reporting Contributions Due**

If the adjustment reports additional contributions, add this amount to the amount due from the regular contribution report for the current pay period. You may remit the full amount due on one check. If the adjustment reduces amounts previously reported, take a credit in the amount of the negative adjustment against the amount due for the current pay period. Remit the net amount with your report.

Follow the instructions provided for completing the Contribution Summary Report.

### **Prior Fiscal Year Adjustments**

Minor adjustments that merely change the dollar amounts previously reported, either to increase or partially reduce contributions, may be reported as indicated for current year adjustments. You must indicate clearly the fiscal year to which the adjustment applies.

Major adjustments are adjustments that report contributions for a member erroneously omitted from prior year reports or that entirely delete contributions erroneously reported. Such adjustments must be reported at the appropriate contribution rate for the fiscal year of the adjustment and also require that a change be made to the prior year compensation in the retirement account. Major adjustments to report previously omitted contributions must be reported to the

ASRS Member Services Division. If you are not sure how to report an adjustment, reference Section 4 of the Employer Manual. It will show you how to complete a Contributions Not Withheld (CNW) form.

**Do not report prior year adjustments as part of or with a regular contribution report without ASRS authorization.**

The ASRS will advise you of the contributions and interest, if any, due from you and the member or amounts to be returned to you and the employee. Remit amounts due according to the instructions provided with the ASRS notification.

If the adjustment deletes previously reported contributions, use the ASRS notification as documentation to support a credit to be taken with a current contribution report. You may request a check from the ASRS in reimbursement of the erroneous contributions if the error occurred within the previous year. Arizona Revised Statute §38-738 (A) prohibits repayment of erroneous contributions to an employer or employee for an error more than one year old.

**Failure to Withhold Contributions for a Member**

If you determine that you failed to withhold contributions from compensation to an eligible employee who met the membership criteria, the error must be corrected. Contact the ASRS External Affairs or Member Services Division as described in the above section, "Prior Fiscal Year Adjustments."

**Employees Reported in Error**

If contributions have been withheld and reported in error for a prior year on behalf of an employee whose employment does not meet membership requirements, you should reimburse the employee through payroll adjustment procedures to recover the amounts reported to the ASRS in error. Report the situation according to the instructions for prior fiscal year adjustments. Because you withheld the amounts remitted in error on a "pre-tax" basis, the amounts become taxable income to the employee when reimbursed. Correction to tax reporting may be required.

**Do not have the employee request a return of contributions (refund).**

A refund to the employee does not return the employer contributions to the employer.

**Reinstatement of Employment of Previously Terminated Employee**

If you are negotiating a reinstatement of a previously terminated employee in accordance with a court order or settlement agreement, contact the ASRS External Affairs Division for advice regarding the effect of an agreement and for reporting instructions.

**Questions Regarding Membership Status**

If an employee questions your decision regarding the employee's membership status, i.e., to withhold or not to withhold contributions from compensation paid,

report the situation to the ASRS Member Services Division for a determination of status as indicated above for prior fiscal year adjustments.

### **Already Terminated Employee**

Do not take a credit (negative adjustment) for an employee who has terminated employment and received a refund of contributions reported. After the employee has refunded, the ASRS no longer has an account against which to process the adjustment.

You are responsible for reporting required contributions due for an employee even after the employee's termination. Report as indicated above for adjustments and add that the member has requested a refund.

### **Questions?**

Please call the Contribution Accounting if you have questions regarding how to report a particular situation.

## Special Reporting Situations

### **Year-End Procedures**

The year ends on June 30 of each year. In any year, all pay periods ending on or before June 30 must be reported by July 15. This is necessary so that the ASRS may complete posting of the reports to member retirement accounts in a timely manner as part of our year-end closing procedures.

Reports for pay periods that end after June 30 should be reported in the new fiscal year at the contribution rates for the new year. For example, for a pay period that ends July 1, 2005, report contributions for fiscal year 2005-06 at the rate for the new fiscal year, even though most of the pay period falls in the prior (FY 2004-2005) fiscal year. **Do not split the pay period** as of June 30, reporting part at the rate for the ending fiscal year and part at the rate for the new fiscal year.

### **Balance of Contract Payments**

Final payments to an employee after the term of the contract has been completed are considered paid, i.e., are "constructively" received by the member, at the end of the term of the contract. Such payments, called "balance of contract" payments, are paid in this manner at the option of the employee. This is a common scenario for teachers. The payments were available and payable to the employee at the conclusion of the contract except at the employee's option.

A balance of contract payment is considered regular compensation regarding retirement and LTD contributions. The difference between regular and balance of contract payments is how and when the payments are made. Contributions are due on these payments in the fiscal year during which the service (the contract) is

performed. This provision applies whether such payments are paid in a lump sum or distributed over a period of time after the completion of the contract.

Report the total of such payments for the fiscal year in which the payments are constructively received at the contribution rate for that fiscal year.

Do not wait until checks are actually distributed to employees to report and remit contributions. The pay period ending date may be the last day of the contract period, or the last day of the fiscal year (June 30). You also may use "dummy" dates to report separate pay periods for each payment, as long as the dates precede and are reported at the rates for the fiscal year ending that June 30.

The balance of contract payments to university contract personnel, usually professors, often is paid on a 12-month basis coinciding with the fiscal year. Payments made in this manner may be reported as paid unless the member retires. In that event, report the contributions at termination.

### **Military Call-Up Situations**

If a member is called to active duty military, or volunteers for such service as part of a presidential call up, and the member returns to employment with the same employer within 90 days of discharge from active duty, the employer must pay both the employee and employer contributions for the period on active duty. Specific details on completing the paperwork needed for this situation can be found in Section 5, Compensation.

## **Final Payments Made at Termination**

### **Regular Salary and Wages**

Withhold retirement and LTD contributions from final payments of regular salary/wages at termination, just as you would for any other regular compensation.

### **Termination Pay**

Withhold and report retirement contributions from eligible termination payments as you do regular contributions. Termination payments are payments of accrued annual or sick leave, compensatory time or other special payments at or on account of termination of employment. Though termination pay is excluded from the current definition of compensation for retirement purposes, members who began ASRS membership, with the current or former ASRS employer, before January 1, 1984, are eligible to elect to have contributions withheld from such payments. See Section 5, Compensation, for more information about termination payments.

Termination payments are not compensation for long-term disability (LTD) program purposes. Do not withhold LTD contributions from termination payments to any employees, regardless of their membership dates.

Payments made to an employee because the employee is terminating employment, or has agreed to terminate at a specified time in the future, constitute termination pay whether paid in a lump sum or in installments *before* retirement. Whether paid at, before or after termination, termination pay may be used to determine the retirement benefit only in a 60-month average of compensation.

Report these amounts with your regular contribution report. (To facilitate an audit trail, it is helpful if the termination payments are reported as a separate, or supplemental, amount, but this is not required.) The payments must be reconciled on the "Final Salary and Lump Sum Verification" letter provided by the ASRS at retirement.

### **Termination Payments Made Before Termination**

Termination payments to eligible members are treated as retirement compensation even if made in a series of payments before retirement. These payments can be included in compensation in the benefit calculation **only** in the 60-month method of averaging compensation. The amounts cannot be used in the benefit calculation unless the ASRS receives the appropriate contributions.

Withhold retirement contributions (not LTD) from the amounts made to members who began ASRS membership before July 1, 1984, unless the member advises you not to withhold. Report the amounts with your regular contribution report. (To facilitate an audit trail, it is helpful if the termination payments are reported as a separate, or supplemental, amount, but this is not required.) The payments **must be reconciled** on the "Final Salary and Lump Sum Verification" letter provided by the ASRS at retirement.

***NOTE:*** *Withholding contributions for termination payments over a period of time before retirement may be a means of increasing a member's average compensation if the member's compensation would otherwise be limited by the maximum compensation rules if the termination payoffs were made at actual termination.*

### **Termination Payments After Retirement**

Some employer-provided, early retirement incentives or payment of accrued leave balances are paid in a lump sum or installments after termination. Because compensation for retirement is determined on the service performed, not when the compensation is paid, the ASRS requires that you report the contributions due for the termination payments at the time of the termination and report the payments on the verification letter.

The ASRS cannot include such amounts in a member's retirement benefit until the contributions are received. If contributions were reported when the member actually receives the payment, the retirement benefit will not be recalculated. See Section 5, Compensation for more information on incentive payments.

### **Termination Payments Made Before a Member is Ready to Retire**

Sometimes a member will terminate employment before the member is ready to retire. Should you withhold retirement contributions from termination payments made to the member? The answer depends on the member's intentions:

- ❑ If the member applies for a refund, do not withhold contributions.
- ❑ If the member intends to leave his or her retirement account on deposit with the ASRS for retirement at a later date, advise the member to determine from the ASRS whether the termination payments will increase the member's retirement benefit. Withhold contributions on the member's request.
- ❑ If the member will continue employment with another ASRS employer and expects to retire within ten years, the situation is tougher and cannot always be easily answered. Whether the withholding is to the member's advantage depends on how long the member expects to work, the amount of the termination pay, and the future expected salaries. Advise the member to contact the ASRS Member Services Division for more information.
- ❑ If the member will continue employment with another ASRS employer and expects to retire more than ten years from termination, do not withhold contributions.

### **Contributions Not Withheld from Termination Payments**

Failure to withhold retirement contributions from termination pay may be corrected if contributions are NOT withheld at the time the termination payments are made to an eligible member (before or at termination) and it is later determined that the amounts would improve the member's benefit. If not already included on the verification form, advise the ASRS Financial Services Division of the amount of eligible termination payments. The ASRS will notify you of the amount due from you and the employee.

Collect the amount due from the member and forward the member's check along with the employer matching amount (and any interest assessed, if applicable) to the ASRS Financial Services Division. We then retroactively adjust the member's retirement benefit to the effective retirement date.

## Posting Process

Payrolls reported to the ASRS are processed upon receipt. Payrolls are posted to employer accounts and individual member retirement accounts on the ASRS master file based upon the month of receipt. Posting is normally completed about two weeks after the end of the month for which the payroll report is received. For example, all payrolls received during the month of January are posted in a batch by approximately February 15th. Diskettes/tapes received from employers during a processing month are returned to the employers after posting has been completed.

## Not Enrolled Transactions

Individual payroll contribution transactions that are reported by a name/Social Security number combination that does not match an account on the ASRS master file may be rejected from the posting process. Such contributions are posted to a temporary account, termed “not enrolled,” which is established for the name and SSN reported or may be posted to a wrong account if improperly identified. If the transactions are not resolved, the employees involved may be delayed in the receipt of a refund or initiation of benefits upon termination, retirement or death, or receive understated benefits. A detailed discussion and instructions for resolution of rejected transactions are contained later in this section.

## Correcting Not Enrolled/Un-posted Contributions

### **General Information**

Contributions are rejected from the posting process when reported by a name and/or Social Security number that does not exist on the ASRS file. The ASRS attempts to resolve reporting discrepancies from information in our records and takes the following actions regarding remaining unposted contributions:

- ❑ When no account is identified for the SSN by which contributions are reported the ASRS creates a temporary account (not enrolled) for the SSN reported, and the reported contributions are posted to that account.
- ❑ If review indicates that an account appears to exist for the member under a different SSN, the ASRS will correct the master file account or the payroll transaction, as appropriate.



- ❑ When contributions are reported by an SSN on the master file account but by a different name for that same account, the ASRS attempts to verify that the contributions belong to the account for the SSN reported. These are termed name-mismatch situations.
- ❑ If the ASRS verifies the account, an alternate name field is added to the account to allow the contributions to post by the name reported. A completed name change form is required from the employee to change the name on the account.
- ❑ If the ASRS cannot establish that the contributions belong to the account for the SSN by which reported, the contributions will be withheld from posting pending further investigation.

### **No Account on ASRS File**

This indicates that the ASRS has not found an enrollment form under the Social Security number reported. An enrollment form is required to properly establish an account on the ASRS master file. To resolve this error:

- ❑ Obtain a completed enrollment form from the member or a copy of a previous form from your files.
- ❑ Review the form to ensure that the SSN, name and other data are legible and agree with your payroll reports.
- ❑ Submit the enrollment form to the ASRS. Be sure the form is signed and notarized.

### **Social Security Number Correction**

If the Social Security number on the member's ASRS account is correct and your payroll report is incorrect:

- ❑ Change your payroll to reflect the correct SSN.
- ❑ Advise the ASRS of the payroll report where the change will occur.

If the SSN on your payroll reports is correct:

- ❑ Circle and initial the printed number on the printout.
- ❑ Submit a copy of the member's Social Security card.
- ❑ Submit a new "corrected" enrollment form to support a change to the SSN on the ASRS master file account.



### **Name-Mismatch**

A name-mismatch exists when contributions are reported by a name different from that in the master file account for the SSN reported. The name established for the account on ASRS records is indicated on the printout. Causes and corrective actions for name-mismatch situations are as follows:

- ❑ Name change due to marital status change or other reason: Have the member submit a "Change of Name" form. A change of beneficiary may also be desirable.
- ❑ Miskeying or misspelling of name: Indicate which name is the correct spelling. Change payroll report if necessary. These situations may be avoided by ensuring that information on the enrollment form is legible.
- ❑ Inappropriate name format in magnetic media reporting: Name should be in this order; Last, First, Middle Initial. Omit all punctuation except for hyphenated names. Refer to magnetic media procedures. Correct payroll as necessary.

### **Status**

The printout may be annotated to indicate that contributions were reported for an employee who is in retired or refund status on the ASRS master file. Other transactions may represent an error in reporting. Resolve such situations as follows:

### **Previously Terminated Member**

If a former member returns to employment in a status subject to membership in the plan after termination for retirement or refund, a new enrollment must be submitted. See "Return to Work of an ASRS Retired Member" in Section 4, Membership, for details.

If contributions are retroactively reported for an employee after termination and refund of contributions on account, the employee should be notified that additional contributions are available for refund. Negative adjustments cannot be processed after a terminated participant has obtained a refund of contributions. The ASRS cannot accept a negative adjustment after a member terminates and obtains a refund because the ASRS no longer has an account for the member. The employer must reimburse the ASRS for the credit taken.

### **Contributions in Error**

Contributions reported in error should be reconciled through payroll adjustment. See "Payroll Adjustment Procedures" in this section.

## **How to Avoid Un-posted Situations**

Procedures helpful in avoiding un-posted situations are as follows:

- ❑ Require that an enrollment form be prepared by each new participant as part of in-processing.
- ❑ Obtain an enrollment form from new employees who were previously or currently employed by another ASRS employer.
- ❑ Review the enrollment form before submission to assure completeness, accuracy and legibility. The form should be typed or clearly printed.
- ❑ Verify the SSN against the employee's Social Security card and payroll reports.
- ❑ Impress upon each employee that taking the few moments necessary to legibly and accurately complete the enrollment form is a worthwhile effort to avoid problems in the future.
- ❑ Submit the enrollment forms as soon as possible so that payrolls containing reporting for new employees are not prior to receipt and processing of the enrollment forms.

## Notes

# Example of Contribution Summary Report

## ARIZONA STATE RETIREMENT SYSTEM

### EXAMPLE ONLY CONTRIBUTION SUMMARY REPORT

Reporting Unit # **ASKS assigns the Number**

Pay Period Ending **Last day of Pay Period**

Employer Name **Official ER Name**

#### CREDIT ALLOCATION

Total Submitted \$ **GRAND TOTAL**

| RETIREMENT CONTRIBUTIONS               |                 |                             |                           |                     | CHECKS/WARRANTS SUBMITTED         |                            |
|--|-----------------|-----------------------------|---------------------------|---------------------|-----------------------------------|----------------------------|
| Employer No.                           | Gross Salary    | Contributions               |                           | Total Contributions | Check No.                         | Amount                     |
|  |                 | EE P - 6.90%<br>S - 7.00%   | ER P - 6.90%<br>S - 8.14% |                     |                                   |                            |
| Assigned                               | Total of all    | Total Gross                 | Total Gross               | EE + ER             |                                   |                            |
| by ASRS                                | employee checks | times the                   | times the                 |                     |                                   |                            |
|  |                 | Contribution                | Contribution              |                     |                                   |                            |
|  |                 | Rate                        | Rate                      |                     |                                   |                            |
| Adjustments                            |                 |                             |                           |                     |                                   |                            |
| Late Chrgs                             |                 |                             |                           |                     |                                   |                            |
| <b>SUBTOTAL</b>                        |                 |                             |                           | <b>Sub Total #1</b> |                                   |                            |
| <b>LTD CONTRIBUTIONS</b>               |                 |                             |                           |                     | <b>TOTAL CHECKS</b>               |                            |
| Employer No.                           | Gross Salary    | Contributions               |                           | Total Contrib       | Diff cks & total<br>credits s/b 0 | #VALUE!                    |
|  |                 | EE .50%                     | ER .50%                   |                     |                                   |                            |
| Assigned                               | Total of all    | Total Gross                 | Total Gross               | EE + ER             |                                   |                            |
| by ASRS                                | employee checks | times the                   | times the                 |                     |                                   |                            |
| Adjustments                            |                 | Contribution Rate           | Contribution Rate         |                     |                                   |                            |
| Late Chrgs                             |                 |                             |                           | <b>Sub Total #2</b> |                                   |                            |
| <b>MODIFIED DROP LTD CONTRIBUTIONS</b> |                 |                             |                           |                     |                                   |                            |
| Employer No.                           | Gross Salary    | Contributions               |                           | Total Contrib       |                                   |                            |
|  |                 | EE .50%                     | ER .50%                   |                     |                                   |                            |
|  |                 |                             |                           |                     |                                   |                            |
| Late Chrgs                             |                 |                             |                           |                     |                                   |                            |
| <b>SUBTOTAL</b>                        |                 |                             |                           | <b>Sub Total #3</b> |                                   |                            |
| <b>SERVICE PURCHASE CONTRIBUTIONS</b>  |                 |                             |                           |                     | <b>TOTAL CREDITS</b>              |                            |
| Employer No.                           | Not applicable  | EE<br>(All)                 | Not applicable            | Total Contributions | RETIREMENT                        | Sub Total #1               |
|  |                 |                             |                           |                     | LTD                               | Sub Total #2               |
| Assigned                               |                 | Total PDA                   |                           |                     | M-D LTD                           | Sub Total #3               |
| by ASRS                                |                 | amounts for<br>all employee |                           |                     | SVC PURCH                         | Sub Total #4               |
| Late Chrgs                             |                 |                             |                           |                     |                                   |                            |
| <b>SUBTOTAL</b>                        |                 |                             |                           | <b>Sub Total #4</b> | <b>GRAND TOTAL</b>                | <b>TOTAL ALL SUBTOTALS</b> |

Difference between credits & total submitted - s/b 0

#VALUE!

List adjustment details for tape/diskette data on the adjustment form or on a separate memo.

Authorized Signature / Date

Phone No.

I hereby certify the accuracy of this report.

| Name           | Dept # | SS#    | Pay Date    | Gross      | EE Ret     | ER Ret   | EE LTD   | ER LTD  |         |
|----------------|--------|--------|-------------|------------|------------|----------|----------|---------|---------|
| Arizona, Sue   |        | 300020 | 000-00-0000 | 12/25/2002 | \$1,142.58 | \$78.84  | \$78.84  | \$5.71  | \$5.71  |
| Doe, John      |        | 300020 | 000-00-0000 | 12/25/2002 | \$750.00   | \$51.75  | \$51.75  | \$3.75  | \$3.75  |
| Doe, Jim       |        | 300020 | 000-00-0000 | 12/25/2002 | \$1,310.83 | \$90.45  | \$90.45  | \$6.55  | \$6.55  |
| Newhire, Dan   |        | 300020 | 000-00-0000 | 12/25/2002 | \$1,041.67 | \$71.88  | \$71.88  | \$5.21  | \$5.21  |
| Smith, Jane    |        | 300020 | 000-00-0000 | 12/25/2002 | \$1,181.82 | \$81.55  | \$81.55  | \$5.91  | \$5.91  |
| State, Susie   |        | 300020 | 000-00-0000 | 12/25/2002 | \$1,875.00 | \$129.38 | \$129.38 | \$9.38  | \$9.38  |
| Worker, Joe    |        | 300020 | 000-00-0000 | 12/25/2002 | \$1,109.38 | \$76.55  | \$76.55  | \$5.55  | \$5.55  |
| Sub Total      |        |        |             | \$8,411.28 | \$580.38   | \$580.38 | \$42.06  | \$42.06 |         |
| Arizona, Joe   |        | 300021 | 000-00-0000 | 12/25/2002 | \$1,333.42 | \$92.01  | \$92.01  | \$6.67  | \$6.67  |
| Doe, Jane      |        | 300021 | 000-00-0000 | 12/25/2002 | \$1,000.00 | \$69.00  | \$69.00  | \$5.00  | \$5.00  |
| Public, Jim    |        | 300021 | 000-00-0000 | 12/25/2002 | \$2,250.00 | \$155.25 | \$155.25 | \$11.25 | \$11.25 |
| Public, Susie  |        | 300021 | 000-00-0000 | 12/25/2002 | \$1,041.67 | \$71.88  | \$71.88  | \$5.21  | \$5.21  |
| Smith, John    |        | 300021 | 000-00-0000 | 12/25/2002 | \$358.40   | \$24.73  | \$24.73  | \$1.79  | \$1.79  |
| Washington, G. |        | 300021 | 000-00-0000 | 12/25/2002 | \$1,166.67 | \$80.50  | \$80.50  | \$5.83  | \$5.83  |
| Worker, Jane   |        | 300021 | 000-00-0000 | 12/25/2002 | \$625.00   | \$43.13  | \$43.13  | \$3.13  | \$3.13  |
| Sub Total      |        |        |             | \$7,775.16 | \$536.49   | \$536.49 | \$38.88  | \$38.88 |         |

| Retirement Contributions |            |            | LTD Contributions |          |
|--------------------------|------------|------------|-------------------|----------|
| Gross                    | Employee   | Employer   | Employee          | Employer |
| \$16,186.44              | \$1,116.86 | \$1,116.86 | \$80.93           | \$80.93  |

| ARIZONA STATE RETIREMENT SYSTEM  |                    |  |                           |                     | Reporting Unit #   | 123               |
|--|--------------------|--|---------------------------|---------------------|--|-------------------|
| CONTRIBUTION SUMMARY REPORT  |                    |  |                           |                     | Pay Period Ending  | 12/25/2003        |
| CREDIT ALLOCATION  |                    |  |                           |                     | Employer Name  | Official ER Name  |
|  |                    |  |                           |                     | Total Submitted \$   | 2,395.59          |
| <b>RETIREMENT CONTRIBUTIONS</b>  |                    |  |                           |                     | <b>CHECKS/WARRANTS SUBMITTED</b>                             |                   |
| Employer No.   | Gross Salary       | Contributions<br>EE P - 6.90%<br>S - 7.00% | ER P - 6.90%<br>S - 8.14% | Total Contributions | Check No.  | Amount            |
| 300020   | \$8,411.28         | \$580.38                                   | \$580.38                  | \$1,160.76          | 123  | 2395.59           |
| 300021   | \$7,775.16         | \$536.49                                   | \$536.49                  | \$1,072.97          |  |                   |
|  |                    |  |                           | 0.00                |  |                   |
|  |                    |  |                           | 0.00                |  |                   |
| Adjustments  |                    | 0.00                                       | 0.00                      | 0.00                |  |                   |
| Late Chrgs   |                    | 0.00                                       | 0.00                      | 0.00                |  |                   |
|  |                    | 0.00                                       | 0.00                      | 0.00                |  |                   |
| <b>SUBTOTAL</b>  | <b>\$16,186.44</b> | <b>\$1,116.86</b>                          | <b>\$1,116.86</b>         | <b>\$2,233.73</b>   |  |                   |
| <b>LTD CONTRIBUTIONS</b>   |                    |  |                           |                     | <b>TOTAL CHECKS</b>  |                   |
| Employer No.   | Gross Salary       | Contributions<br>EE .50%<br>ER .50%        | Total Contrib             |                     |  |                   |
| 300020   | \$8,411.28         | \$42.06                                    | \$42.06                   | \$84.11             |  |                   |
| 300021   | \$7,775.16         | \$38.88                                    | \$38.88                   | \$77.75             |  |                   |
|  |                    |  |                           | 0.00                |  |                   |
|  |                    |  |                           | 0.00                |  |                   |
|  | \$16,186.44        | \$80.93                                    | \$80.93                   | \$161.86            |  |                   |
| <b>MODIFIED DROP LTD CONTRIBUTIONS</b>   |                    |  |                           |                     |  |                   |
| Employer No.   | Gross Salary       | Contributions<br>EE .50%<br>ER .50%        | Total Contrib             |                     |  |                   |
|  |                    | 0.00                                       | 0.00                      | 0.00                |  |                   |
|  |                    | 0.00                                       | 0.00                      | 0.00                |  |                   |
|  |                    | 0.00                                       | 0.00                      | 0.00                |  |                   |
| Late Chrgs   |                    | 0.00                                       | 0.00                      | 0.00                |  |                   |
| <b>SUBTOTAL</b>  | <b>0.00</b>        | <b>0.00</b>                                | <b>0.00</b>               | <b>0.00</b>         |  |                   |
| <b>SERVICE PURCHASE CONTRIBUTIONS</b>  |                    |  |                           |                     | <b>TOTAL CREDITS</b>   |                   |
| Employer No.   | Not applicable     | EE (All)                                   | Not applicable            | Total Contributions | RETIREMENT   | \$2,233.73        |
|  |                    |  |                           |                     | LTD  | \$161.86          |
|  |                    |  |                           |                     | M-D LTD  | 0.00              |
|  |                    |  |                           |                     | SVC PURCH  | 0.00              |
|  |                    |  |                           |                     |  |                   |
| Late Chrgs   |                    |  |                           |                     |  |                   |
| <b>SUBTOTAL</b>  |                    | <b>0.00</b>                                | <b>0.00</b>               | <b>0.00</b>         | <b>GRAND TOTAL</b>   | <b>\$2,395.59</b> |
| List adjustment details for tape/diskette data on the adjustment form or on a separate memo. |                    |  |                           |                     | Difference between credits & total submitted - s/b 0 #VALUE! |                   |
| Authorized Signature / Date  |                    |  |                           |                     | Phone No .   |                   |
| I hereby certify the accuracy of this report.  |                    |  |                           |                     |  |                   |

# Magnetic Media Format Rules

## Record 1 Format: Retirement Contributions, Magnetic Tape Reporting Specifications

### Magnetic Tape Record Format

- ❑ Standard labels
- ❑ Nine track
- ❑ Density of 1600 or 6250 (preferred) bits per inch
- ❑ 80-character, fixed length records
- ❑ Coded in “ANSI-ASCII” computer language
- ❑ BLOCKED-10 records per BLOCK
- ❑ No padded characters permitted in blocks or record within blocks (e.g. block sequence numbers, off-set characters, etc.
- ❑ Each block should contain the same number of records with the exception to the last, which may contain fewer than ten.
- ❑ If padding is required in the block, use all “nine” records.

### Date Format

| Column | Characters                         | Description   |
|--------|------------------------------------|---|
| 1-3    | Blanks                             |   |
| 4-12   | Numeric integer                    | Social Security Number  |
| 13-18  | Numeric integer                    | Department Number<br>(Assigned by the ASRS)   |
| 19-23  | Alphanumeric                       | Employee Number<br>(for employer use to identify unit)                                  |
| 24-43  | Alphanumeric Reverse<br>Name Order | Employee Name<br>Last First Initial<br>(See “Magnetic Media Reporting”<br>instructions) |
| 44-52  | Numeric sign overpunch, *LSD       | Gross Pay   |
| 53-60  | Numeric sign overpunch, *LSD       | Employee Contributions  |
| 61-68  | Numeric sign overpunch, *LSD       | Employer Contributions  |
| 69-71  | Alphanumeric                       | Account Number<br>(Assigned by the ASRS)  |
| 72-77  | Numeric Integer                    | Pay Period Ending Date<br>(mm/dd/yy) (not pay date)                                     |
| 78-79  | Blanks                             |   |
| 80     | Alphabetic                         | P   |

\*LSD: last significant digit

## Record 1 Format: Retirement Contributions, Magnetic Diskette Reporting Specifications

### Diskette File Format

- ❑ Standard 3.5-inch, High Density (HD), PC-formatted diskette
- ❑ Label of 1 to 11 characters
- ❑ Data file names 1 to 8 characters with extension “.DAT”
- ❑ (XXXXXXXX.DAT)
- ❑ 80-character, fixed length records
- ❑ ASCII character format only

### Diskette Record Format

| Column | Characters                                       | Description   |
|--------|--|---|
| 1-9    | Numeric integer                                  | Social Security Number  |
| 10-15  | Numeric integer                                  | Department Number<br>(Assigned by the ASRS)   |
| 16-20  | Alphanumeric                                     | Employee Number (for employer<br>use to identify unit/employee units)                   |
| 21-40  | Alphanumeric Reverse<br>Name Order               | Employee Name<br>Last First Initial<br>(See “Magnetic Media Reporting”<br>instructions) |
| 41-50  | Numeric Lead Sign Separate<br>in First Character | Gross Pay   |
| 51-59  | Numeric Lead Sign Separate<br>in First Character | Employee Contributions  |
| 60-68  | Numeric Lead Sign Separate<br>in First Character | Employer Contributions  |
| 69-71  | Alphanumeric                                     | Account Number<br>(Assigned by the ASRS)  |
| 72-77  | Numeric  | Pay Period Ending Date<br>(mm/dd/yy) (not pay date)                                     |
| 78-79  | Blanks   |   |
| 80     | Alphabetic                                       | P   |

## Name Format Rules for Magnetic Tape/Diskette Payroll Reporting

Rules for entering the participant's name in the name field of both tape and diskette formats follow. Failure to comply with these rules may result in payroll transactions being rejected from the posting process. Examples of proper format include:

- ❑ Separate parts of the name by a space (do not use commas or other punctuation) and enter the last name, first name, and middle initial:  
WHITE DANIEL R                      **(not DANIEL R WHITE)**
- ❑ Enter name in all capital letters. Do not use lower case letters:  
SMITH JOHN A                      **(not Smith John A)**
- ❑ Enter hyphenated name with hyphen only if the name appears hyphenated on the ASRS enrollment form:  
JONES-SMITH SALLY B              **(not JONES SMITH-SALLY)**
- ❑ Enter multiple last names that are not hyphenated as one name without a space:  
JONESSMITH SALLY B              **(not JONES SMITH SALLY B)**
- ❑ Omit apostrophes, commas, periods or any other punctuation. Such punctuation is not recognized as part of the participant's name for ASRS records:  
OBRIEN MARY T                      **(not O'BRIEN MARY T)**  
ST JOHN ROBERT S                  **(not ST. JOHN ROBERT S)**  
LI CHARLES L                      **(not LI. CHARLES L)**
- ❑ Omit spaces from last name:  
DELA CRUZ JOSE E                  **(not DE LA CRUZ JOSE E)**  
DE LEON MARIE M                  **(not DE LEON MARIE M)**  
VON ROSEN JOSEPH D              **(not VON ROSEN JOSEPH)**
- ❑ Enter a name suffix such as Jr. after complete name:  
BROWN THOMAS F JR              **(not BROWN JR THOMAS F)**

## Record 2 Format: Payroll Deduction Agreements for Service Purchases, Magnetic Tape Reporting Specifications

### Magnetic Tape Record Format

- ❑ 80-character, fixed-length records
- ❑ Format for reporting payroll deduction for service purchases by magnetic tape

| Column | Character Type                 | Description  | Data Type    |
|--------|--------------------------------|--|--------------|
| 1-3    |                                | Not Used   | Blank        |
| 4-12   | Numeric                        | Social Security Number   | 999999999    |
| 13-18  | Numeric                        | Department Number<br>(Assigned by the ASRS, Same as Record 1)  | 999999       |
| 19-26  | Alphanumeric                   | Control Number<br>(If contract number assigned by the ASRS cannot be used, use the deduction number from the employer payroll system.)           | 99999999     |
| 27-46  | Alphabetic                     | Employee Name  | Last First I |
| 47-52  | Alphanumeric                   | Not Used   | Blank/Zeros  |
| 53-60  | Numeric (Sign overpunch, *LSD) | +Amount withheld from pay  | 99999999     |
| 61-68  | Numeric (Sign overpunch, *LSD) | +Employer's Matching Amount<br>(7% Buy-in ONLY)  | 99999999     |
| 69-71  | Numeric                        | Account Number<br>(Assigned by the ASRS, Same as Record 1)   | 999          |
| 72-77  | Numeric                        | Pay Period Ending Date (Not pay date, Same as Record 1)  | mmddyy       |
| 78-79  | Numeric                        | Transaction Code<br>(40) Service Purchase under eligible PLAN categories<br>(41) 7% Buy-in of Additional Contributions (For SYSTEM members ONLY) | 99           |
| 80     | Alphabetic                     | Member Type<br>(P) Plan (Defined Benefit)<br>(S) System (Defined Contribution)   | S or P       |

\*LSD: last significant digit (Sign right justified as Overpunch)

+Payment Amount (includes dollars and cents, assumed decimal)



## Record 2 Format: Payroll Deduction Agreements for Service Purchases, Magnetic Diskette Reporting Specifications

### Diskette Record Format

- ❑ 80-character, fixed-length records
- ❑ Format for reporting payroll deduction for service purchases by magnetic tape

| Column | Character Type | Description   | Data Type    |
|--------|----------------|---|--------------|
| 1-9    | Numeric        | Social Security Number  | 999999999    |
| 10-15  | Numeric        | Department Number<br>(Assigned by the ASRS, Same as Record 1)   | 999999       |
| 16-23  | Alphanumeric   | Control Number<br>(If contract number assigned by the ASRS cannot be used, use the deduction number from the employer payroll system.)            | 99999999     |
| 24-43  | Alphabetic     | Employee Name   | Last First I |
| 44-50  | Alphanumeric   | Not Used  | Blank/Zeros  |
| 51-59  | Numeric        | +Amount withheld from pay   | +99999999    |
| 60-68  | Numeric        | +Employer's Matching Amount   | +99999999    |
| 69-71  | Numeric        | Account Number<br>(Assigned by the ASRS, Same as Record 1)  | 999          |
| 72-77  | Numeric        | Pay Period Ending Date (Not pay date, Same as Record 1)   | mmddyy       |
| 78-79  | Numeric        | Transaction Code<br>(40) Service Purchase under eligible PLAN categories)<br>(41) 7% Buy-in of Additional Contributions (For SYSTEM members ONLY) | 99           |
| 80     | Alphabetic     | Member Type<br>(P) Plan (Defined Benefit)<br>(S) System (Defined Contribution)  | S or P       |

\*LSD: last significant digit (Sign right justified as Overpunch)

+Payment Amount (includes dollars and cents, assumed decimal)

# Installation and Using the ASRS Automated Payroll Reporting System

## Installation

You may report ASRS retirement and long term disability contributions via the ASRS Automated Payroll Submission System computer program. Install the program on your personal computer using the instructions below for Windows Systems. The program is not compatible with Macintosh operating systems.

### For Windows95:

- 1) Be sure that you have the 3 diskettes required for installation, numbered 1 of 3 through 3 of 3.
- 2) **Insert diskette 1** of 3 into the 3.5" floppy drive. (This is usually the A:\ drive.)
- 3) Using your mouse pointer, **click Start** at the bottom left-hand corner of the computer screen.
- 4) **Select Run.**
- 5) At the prompt, **type: a:\setup.exe**
- 6) Follow the program instructions for installation through each of the 3 diskettes.
- 7) Retain the diskettes in a safe location.

### For Windows 3.1:

- 1) Be sure that you have the 3 diskettes required for installation, numbered 1 of 3 through 3 of 3.
- 2) **Insert diskette 1** of 3 into the 3.5" floppy drive. (This is usually the A:\ drive.)
- 3) **Go to File Manager** and **select** the **A:\** drive.
- 4) **Double click** on **Setup.**
- 5) Follow the program instructions for installation through each of the 3 diskettes.
- 6) Retain the diskettes in a safe location.

If desired, move the icon to computer desktop for future use.

## Setting Up Payroll Contribution File

After installing the program, you will then set up the file to create your payroll reports. Start with setting up the contribution file. At desktop or My Computer, **click** on the **ASRS Automated Payroll System icon**. The Main Menu appears.

### Keying Tips:

- ❑ Entries are not case sensitive. The program will enter what you type in all CAPITAL letters.
- ❑ **Numbers:** The cursor must be in the far-left position when you start to type in the number field. The cursor will automatically go to this position when it moves to a field on its own or when you move the cursor using the Tab key. However, when you move the cursor using the mouse, you must be sure to place the cursor at the left edge of the field. If you have to correct a number that you entered incorrectly, click and drag the mouse arrow from the right edge to the left edge to highlight the field to be corrected. You may start typing at that point (with the unwanted information highlighted) or press the Delete key, leaving the cursor at the left edge of the field.
- ❑ **Dates:** Enter in MMDDYYYY format; enter 2-digit number for month and day, e.g., “01” for January. The year must be entered with all four digits; otherwise the program assumes “05” means the year 1905 instead of 2005.
- ❑ **Dollar Amounts:** Enter decimals when the amount includes cents. You do not have to enter a decimal and zeros if the dollar amount is even (no cents). Do not enter a comma to indicate an amount in the thousands.

### Setting up Employer Record

First, set up the employer record to identify your organization and the appropriate contribution rates.

- 1) **Click on Employer Maintenance** located on the right side of the screen window. This opens the Records Maintenance screen.
- 2) **Click on Department Records.**
- 3) **Select Add New Department.**
- 4) In the field “**ASRS Employer Account Number**,” **enter the 4-digit account number assigned by the ASRS.** (This is a 3-digit number with a leading zero.) On completing the entry, the cursor moves to the “Employer Name” field.
- 5) In the “**Employer Name**” field, **enter the official name** by which your organization operates. This may be different from a corporate name. **Press the Enter key.** The cursor moves to the “ASRS Employer Department No.” field.  
***NOTE:** If the name exceeds the available space, the name will spill over to the next field. **Delete** any letters that spill into the department number field.*
- 6) In the “**ASRS Employer Department No.**” field, **enter the 6-digit employer number assigned by the ASRS.** (See the information on the next page if more than one department number was issued.) On completing the entry, the cursor will automatically move to the “Department Name” field.
- 7) In the “**Department Name**” field, **enter** one of the following:
  - a. If your organization is a school:
    - i. Enter **Certified** for an employer number ending in “0”. Report teachers and school administrators by this number.

- ii. Enter **Classified** for an employer number ending in “1”. Report non-teacher and administrator employees by this number.
  - b. If your organization is other than a school, enter **Plan**.
- 8) **Click** on **Save/Exit**.
- 9) If you have been assigned more than one employer number, **repeat** the above steps for each additional employer number. The cursor will automatically start out in the department number field.
- 10) After completing your entries, you may **click** on **View All Records** to check the accuracy of your entries. A small window (Department Records) appears to display the information you entered.
  - a. Expand the window to full size by **clicking** on the **square box** in the upper right *corner of the window*.
  - b. After reviewing the records, **click** on the “**X**” in the upper left *corner of the window* to exit.
- 11) If you note an error, **click** on **Change Department Name** to correct the error. A window (Select Record) appears showing the department information you entered.
  - a. **Click** on the **record** that you want to change and then **OK** to go to that record. Change information as necessary and **click** on **Save/Exit** to exit the change screen. **Click Cancel** to exit without changing the information in the record.
  - b. If you decide not to make a change, **click** on the **Cancel** button to exit the Select Record window to return to the Department Maintenance screen.
- 12) When department entries are completed, **click** on the **Exit** button to return to the Records Maintenance screen.
- 13) **Click** on the **Rate Table** button. This opens the Rate Table Records screen.
- 14) **Click** on **Update Rates**. This opens the Rate Table.
- 15) **Contact the ASRS** about current rates, and **enter** them here. The long-term disability rates normally will not have to be entered. Once the rates are entered, you should not have to change the rates until the rates change, as advised by the ASRS.
- 16) **Click Save/Exit** to return to the Rate Table Records screen.
- 17) **Click** on **View Rate Table** to review the information you entered.
  - a. **Click** on the **square box** in the upper right *corner of the window* to expand it.
  - b. **Click** on the “**X**” in the upper left *corner of the window* to exit and return to the Rate Table Records screen.
- 18) **Click** on **Update Rates** to return to the Rate Table to make any corrections and follow the instructions above.
- 19) When the contribution rate entries have been completed, **click** on **Exit** to return to the Records Maintenance screen and **Exit** again to return to the Automated Payroll Submission System Main Menu screen.
- 20) **Click** on **Quit** to exit the Automated Payroll Submission System. **It is necessary to exit the system or the rate changes will not be saved.**

## Setting up Employee Records

After you have set up the employer record, you will need to create a record for each of your employees who meet membership criteria.

- 1) **Double click** on the **Automated Payroll Submission System** icon to return to the program and proceed to set up the payroll accounts.
- 2) **Click** on **Maintain Employee Record** located on the left side of Payroll Submission System screen.
- 3) **Enter** either **Alpha** or **SSN** to determine the way records are sorted. You may change the sort at any time.
- 4) **Click** on **Add New Employee** on the left side of the computer screen (Employee Information). A blank employee record will appear.
- 5) **Enter** the following information in the fields provided for each employee who meets ASRS membership criteria: (The cursor will move from field to field in the following order when entry is completed or when you press the Enter or Tab key.)
  - ❑ **Social Security number**
  - ❑ **Employer Number** (**NOTE:** this field is for employer use. Enter the alphanumeric number as assigned by the employer, or leave blank by clicking the Tab key.)
  - ❑ **Last Name**
  - ❑ **First Name**
  - ❑ **Middle Name or Initial**
  - ❑ **Gender** (Click on arrow for drop down menu and click on the appropriate designation or use the arrow keys on your keyboard.)
  - ❑ **Marital Status** (Click on arrow for drop down menu and click on the appropriate designation or use the arrow keys on your keyboard.)
  - ❑ **Department Number** (Enter if not already entered by the computer or if you need to change the number to another employer number. If already entered, use the Tab key to move to the next field.)
  - ❑ **Date of Birth**
  - ❑ **Member Type** (Enter if not already entered into the computer. Use the drop down menu to select "P" for Plan, the ASRS Defined Benefit Plan. Do not select "S" for the ASRS Defined Contribution System unless advised to do so by the ASRS. If already entered, use the Tab key to move to the next field.)
  - ❑ **Pay Frequency** (Use the drop down menu to select the appropriate designation or use the arrow keys on your keyboard.)
  - ❑ **Hire Date** (Enter the date the employee began work with your organization.)
  - ❑ **Contract Length** (Not used. **Tab through this field.**)
  - ❑ **Enrollment Date** (Enter the date that the employee's ASRS membership began. This will be the effective date of your ASRS membership, as approved by the ASRS Board, for current employees and normally will be the same as the hire date for new employees.)
  - ❑ **Annual Salary** (Enter the employee's annualized salary amount.)

- ❑ **Termination Date** (Tab through this field when entering a new employee. Enter a date only when an employee who has been entered into the system terminates employment.)
  - ❑ **PPE Gross** (Enter normal gross pay for an individual pay period.)
- NOTE:** The Address part of the employee record is not used at this time.

- 6) Click **Next** to enter the next employee record.
- 7) Click **Cancel** to exit a record without saving it.
- 8) Click **Save/Exit** when all employees have been entered.
- 9) Click **View All Records** to check the accuracy of your entries.
  - a. Click on the **square box** in the upper right corner of the window to expand it.
  - b. Click on the “**X**” in the upper left corner of the window to exit; if you note an error, click **Update Employee Record** to correct and follow instructions below.
- 10) As time goes on, add new employees in the same manner. (See below)
- 11) Click on **Exit** to return to the Main Menu screen and **Quit** to leave the program (if you are not ready to run your first payroll report).

## Updating, Modifying or Deleting Employee Records

After the initial set up, you may need to change, add or delete information or employees for future payroll reports. Follow the directions below:

### Updating/Modifying Records

- 1) Select the **Maintain Employee Record** screen.
- 2) Click on **Update Employee Record**.
- 3) The Select Record window appears. Click on the **record** that you want to update and then click **OK**. If you decide not to make a change, click on the **Cancel** button to return to the Maintain Employee Record screen.
- 4) Use the **Tab** key to move to the field that you want to update **or use** the **mouse** to move the cursor to the selected field.
- 5) Enter the **new information**. Be sure that the cursor is at the left edge of the field before you key the new information. To indicate a permanent or temporary (more than one pay period) change in salary, enter the new annual and pay period gross amounts in the **Annual Salary** and **PPE Gross** fields. If you immediately go to **Prepare Payroll** to create your payroll report,
- 6) Press the **Enter** or **Tab** key to enter your change.
- 7) Use the **Tab** key to move to the next field that you would like to change.
- 8) Click on the **Next** button to move to the next record change.
- 9) When you have completed the changes, click on **Save/Exit** to return to the Maintain Employee Record screen.



## Adding a New Employee

To add a new employee, follow the instructions above “**Setting up Employee Records.**”

## Deleting an Employee

- 1) **Select** the **Maintain Employee Record** screen.
- 2) **Click** on **Update Employee Record**.
- 3) The Select Record window appears. **Click** on the **record** that you want to update and then **click OK**. If you decide not to make a change, **click** on the **Cancel** button to return to the Maintain Employee Record screen.
- 4) **Enter** the employee’s **last day of employment** in the “**Termination Date**” field and **click Save/Exit**.
- 5) On the next PPE contribution report, you may delete the record for the terminated employee. **Click** on **Delete Employee Record**.
- 6) The Select Record window appears. **Click** on the **record** that you want to update and then **click OK**. A dialogue box appears. To delete the record, **click Yes**. This deletes the record from your file. If you decide not to make a change, **click** on the **Cancel** button to return to the Maintain Employee Record screen.

## Setting Up Service Purchase Letter

Use this part of the Automated Payroll System **only on authorization of the ASRS**. When a member purchases service credit and elects payroll deduction as the means of payment, the ASRS will issue a Payroll Deduction Authorization (PDA). The agreement is between the member and the employer. See the Employer Manual for details on the administration of the agreement. The PDA provides the terms of the deduction for payroll.

- 1) From the Main Menu, **select Maintain Employee Record**.
- 2) From the Service Purchase Information option (right side of the screen), **select Add New Record**.
- 3) Use the drop down menu in the SSN field to **select** the appropriate **employee**. The name and department number will be entered automatically. Enter information from the PDA in the remaining fields.
- 4) **Click Save/Exit**.
- 5) Repeat the above to enter PDA information for an additional employee.
- 6) **Click Cancel** to exit without saving entered information.
- 7) You may update and delete as necessary by clicking on the appropriate command and entering the necessary information as above.

## Preparing Payroll Reports

- 1) From Main Menu **select Prepare Payroll**.
- 2) **Select Update Pay Period Ending Date**.
- 3) **Enter** the correct **pay period ending date** (PPE). (Don’t forget—the year must be entered in all four digits, i.e. “2005” instead of “05.”) **Click** on **OK**.

The Automated Payroll Submission System is not cumulative. The pay period ending date is not carried over from the prior pay period. You will need to re-enter the pay period ending date each time you run a payroll report. If you exit the program before printing the payroll report, you will have to re-enter the appropriate pay period ending date.

- 4) You then may increase or decrease salaries for employees to correctly report contributions for the pay period being reported. When you update a salary for a payroll report, it changes the salary in the employee's record. Therefore, you will need to change the salary for each employee whose salary is different from the salary reported on the previous contribution payroll report.
- 5) To change the salary figure for multiple employees, **select Update Salaries.**
  - a. **Click** on **Next** to move from record to record to select the one(s) you need to modify.
  - b. When the desired record (by SSN and name) is shown, **enter the corrected salary** for the pay period in the **PPE Gross** field. Be sure that the cursor is at the far left edge of the field before entering the new salary amount. **Make sure PPE Gross is the only field that is changed or the program will freeze.**
  - c. **Click Next** to move to the next record.
- 6) When choosing to update an individual record, **select Update Individual Salary.** The Select Record screen appears. **Click** on the **record** desired and then **OK**. Change the salary as above.
- 7) At any time, to exit a record without saving, **click Cancel.**
- 8) When the last record is updated, **click Save/Exit** to return to the Prepare Payroll screen and **click Exit** to return to the Main Menu.

### **Printing the Payroll Report**

After you have prepared the payroll, you then should print the report. If you exited the program after you prepared the report, you will have to re-enter the pay period ending (PPE) date. The salaries will remain as you entered them when you prepared the report.

- 1) From the Main Menu **select Print Reports.**
- 2) By clicking on the box to the left of the captions, **select Payroll Contribution Detail.**
- 3) **Select View Summary** to see a summary of the payroll report. **Click** on the **square box** in the upper right *corner of the window* to expand the window to full size.
  - ❑ The first line reports the total for your first department number. The following lines of the window show totals from any additional department numbers.
  - ❑ The last line shows the grand totals for your report. The figure at the far right of the last line of data is the grand total of employee and employer retirement and long term disability contributions. If correct, this is the amount payable to the ASRS.



- 4) Note the department and grand totals and compare these amounts to your own system payroll run. Write down the grand total amount.
  - ❑ If the numbers agree, **click** on the “**X**” in the upper right *corner of the window* to exit. You will return to the Main Menu.
  - ❑ If they do not agree, **exit** and **go** back to **Prepare Payroll** and then **click** on **Update Salaries** to check the salary amounts entered. Correct as necessary.
- 5) Once you have verified the totals, again **select Print Reports** from the Main Menu.
- 6) **Select Payroll Contribution Detail** by clicking on the box.
- 7) **Select Print**. The payroll detail report will print out on your printer.
- 8) Return to the Print Reports screen. **Select Contribution Summary Report** from the menu and then **select Print**.
- 9) The Check Issuance window appears. **Enter** the **number of the check**, **pay period ending date** and check **amount**.
- 10) If you are paying by multiple checks, enter each by the appropriate check number and amount. The total must agree with the grand total for the payroll report.
- 11) A screen to report late charges will appear. If you have been advised by the ASRS that you owe late charges, enter the applicable amounts here. (Only in the Retirement Area)
- 12) **Click OK** to print the Contribution Summary Report.
- 13) If any of your employees have entered into a payroll deduction agreement, return to the Print Reports screen. **Select Service Purchase Payroll** and **click Print** to print out the report.

**NOTE:** *If the reports do not print, check to make sure that the correct printer has been selected in your printer settings. (See D-Base Program Errors)*

### Transferring to Diskette and Backup

After completing the payroll, transfer the report to a diskette for submission to the ASRS.

- 1) From the Main Menu, **select Transfer To Diskette**.
- 2) In the Export Record portion of the window, **select Contribution Record** by **clicking on the box to the left of the caption**. Also **select Service Purchase Record** if you are reporting service purchase payroll deductions.  
**NOTE:** *The **Employee Record**, **Employee Address Record**, and **Warrant/Check Record** are not used at this time.*
- 3) **Click** on the **Export** button and follow the instructions on the screen. Always use a clean diskette. The ASRS periodically will return diskettes to you. **Reformat each diskette before using** because the old information is not cleared off the diskette unless it has been reformatted.

### Backing up Files

- 1) From the Main Menu, **select Backup** and follow the instructions given to provide you with a backup copy of the submission to the ASRS in case there is a problem with the original diskette.
- 2) **Select Quit** to exit the program

### Payroll Submission

Submit the following to the ASRS at:

Arizona State Retirement System  
Contribution Accounting Department  
PO Box 33910  
Phoenix, AZ 85067-3910

- ☐ Printout of the **Payroll Contribution Detail**. Make a copy for your records.
- ☐ Printout of the **Contribution Summary Report**. Verify all totals and sign the report on the line provided. Make a copy for your records.
- ☐ Printout of the **Service Purchase Record**, if applicable. Make a copy for your records.
- ☐ Check(s) **payable to the Arizona State Retirement System** in the total amount due for employee and employer retirement, long term disability contributions, and service purchase deductions.
- ☐ 3.5" diskette with the payroll information.

Reports received more than 14 days after the pay period ending date are delinquent and subject to late charges by the ASRS. If you have questions, call the ASRS at:

- ☐ **Financial Services Division:**  
Phoenix (602) 240-2034  
Tucson (520) 239-3100 extension 2034  
Toll-Free (800) 621-3778 extension 2034
- ☐ **External Operations Division:**  
Phoenix (602) 240-2022  
Tucson (520) 239-3100 extension 2022  
Toll-Free (800) 621-3778 extension 2022

## D-Base Program Errors

### Program won't print:

- 1) Go to the printer section (**Click** on **Start, Settings** and then **Printers**)
- 2) **Print screen** to show the printers that are active.
- 3) **Delete** all **printers**.
- 4) **Enter** the **D-Base** program and **try to print**. (A warning will say that no printers are available.)
- 5) Return to the printer section and **reinstall** the **printers** using the **Add Printer** button.
- 6) You should now be able to print.

### While updating salaries, the computer freezes:

- 1) **Reboot** the system.
- 2) When entering salaries, **highlight** the **Enter PPE Gross** field and type in the correct salary including cents. The contribution rates should automatically change. If anything else is accidentally changed, the computer will freeze.

### While updating salaries, an employee has no payroll and you want to enter "0.00" in the PPE Gross field. Upon doing this you find that the rates don't change:

- 1) Reboot the system.
- 2) When entering salaries, **highlight** the **Enter PPE Gross** field and type in the correct salary including cents. The contribution rates should automatically change.

### Transfer to Diskette will not work:

- 1) **Go to Employer Maintenance, Department Records, and View All Records.**
- 2) If there is a **blank line**, **delete** it.
- 3) **Click** on the **"X"** in the upper right hand corner.
- 4) **Click** on **Delete Department.**
- 5) Make sure that the **blank line** is **highlighted** in the Select Record section.
- 6) **Click "OK"**
- 7) Try the Transfer to Diskette again.

### The Rate Changes:

- 1) **Go to Employer Maintenance, Rate Table, and Update Rates.**
- 2) **Enter** the **correct rates.**
- 3) After inputting the correct rates, **exit** the **program** completely in order for the rates to change in the system. (**The rates will not change if you skip this step.**)
- 4) **Always double-check the rates after printing** to make sure that they were changed properly.

# 7. PURCHASE OF SERVICE CREDIT

## ASRS Employer Manual

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# 7. PURCHASE OF SERVICE CREDIT

## Employer Responsibilities

Your general responsibilities are to keep your employees informed of their opportunities to purchase additional service credit toward retirement. See below for specific responsibilities and refer member to the ASRS if there is a question you cannot answer.

## ASRS Service Credit

Credited service is the measure of service toward retirement eligibility that a member earns for work covered by ASRS membership (ARS §38-739). The amount of service to the member's credit at retirement and the member's final average salary directly determine the member's retirement benefit.

An ASRS member earns credited service on a proportionate basis for each month during which work is performed during the fiscal year. A twelve-month employee receives one-twelfth of a year of service credit for each month in which contributions are reported, as determined by pay period ending dates reported during the year. An employee working under a contract of nine or more months receives one-ninth of a year of service credit for each month for which contributions are reported. (ARS §38-711 Subsection 31; §38-739).

## Service Purchases and Transfers

Arizona laws of 1996 expanded the service credit purchase options available to active members of the ASRS. Members are eligible to buy service credit time if they are actively contributing to the ASRS or are currently receiving Long Term Disability benefits as an ASRS member. Any service purchase must be completed prior to retirement. Below is a list of the types of service that may be purchased:

- ❑ Reinstatement of previously forfeited (refunded) ASRS service (ARS §38-742)
- ❑ Leave of absence without pay (ARS §38-744)
- ❑ Service with another public employer within the United States (ARS §38-743)

- ❑ Active duty military service, Military Reserve and National Guard (ARS §38-745)

Members also may transfer service credit from another of the following Arizona State and Charter City Retirement Plans (ARS §38-730):

- ❑ Elected Officials' Retirement Plan (EORP)
- ❑ Public Safety Personnel Retirement System (PSPRS)
- ❑ Correctional Officer Retirement Plan (CORP)
- ❑ City of Phoenix Employees Retirement System (COPERS)
- ❑ City of Tucson Supplemental Retirement System (TSRS)

Service purchases are paid by the member (or transferred to the ASRS). There is no cost to the employer.

***NOTE:*** *Members receiving benefit payments and earning credited service under the LTD program are eligible to purchase service credit. Direct the member to contact Member Services Division for more information.*

## Reinstatement of Previously Forfeited ASRS Service

Previously forfeited ASRS service is service that a member lost when the member received a refund of contributions for a prior period of ASRS-covered employment. Receiving a refund terminates a member's ASRS membership and the individual is no longer eligible for a benefit from the service forfeited.

On returning to ASRS employment, the employee resumes active ASRS membership. As an active member, the employee may reinstate all or any portion of credited service from previous ASRS employment that was forfeited when the refund was taken. The employee must repay the amount refunded plus accrued interest.

The calculation for reinstating previously forfeited ASRS credited service is the total gross amount of the refund (including the amount of any taxes withheld) plus interest to the date of request. This time may be purchased at any time prior to termination of employment and may reinstate all or any portion of the forfeited service. If the member elects to reinstate only a portion of a period of previously forfeited service, the cost is prorated from the total cost to reinstate the full period. Because interest accrues on the contributions, the longer a member waits to make this purchase, the greater the cost. The ASRS interest rate is set at the ASRS earnings rate, which is currently eight percent.

On reinstatement, the ASRS restores to the member all rights associated with the previous service. For example, if any part of the member's reinstated service was performed before 1984, the reinstatement restores the member's grandfathered right to use termination pay, such as a payoff of accrued vacation or sick hours, in average salary for the benefit calculation. (See Section 5, Compensation, for more information on "termination pay")

### **Is any Additional Documentation Required?**

No. The member may contact the ASRS Member Service Center to request the reinstatement. The ASRS then verifies the previous ASRS service from ASRS records.

### **Is the Purchase Restricted?**

No. Reinstatement of previously forfeited ASRS credited service is not subject to Internal Revenue Code Section 415(c) restrictions.

### **Employer Responsibilities**

Refer the member to the section on credited service in *Getting Ready for Retirement* on the ASRS website at [www.asrs.state.az.us](http://www.asrs.state.az.us).

## **Leave of Absence without Pay**

An active member may obtain service credit for up to one year of a period on an approved unpaid leave of absence from employment. For the purpose of service credit purchase the ASRS treats multiple, consecutive periods of absence without a return to employment status between absences as one period of absence. The purchase is subject to the one-year limitation on the amount of service that may be earned in a fiscal year. (ARS §38-739)

The time may be purchased under the following guidelines:

- ❑ A maximum of one-year service credit for each approved, unpaid leave of absence may be purchased
- ❑ The member must not have received a refund of their contributions from the ASRS
- ❑ The member must have returned to work with the same employer, unless:
  - The position was no longer available, or
  - The member was disabled and could not return to work
- ❑ The employer certifies that the leave of absence was in the best interest of the employer and was in accord with the employer's established guidelines

As stated above, a member is not permitted to purchase service credit for the leave of absence if the member took a refund of contributions for the period before the absence. However, if the member returned to a position covered by the ASRS and later terminated and took a refund without purchasing service

credit for the absence period, the member may restore eligibility to purchase service credit for the leave of absence period by reinstating the forfeited service credit for the period before the absence.

### **Is any Additional Documentation Required?**

Yes. The member must submit a *Request to Purchase Leave of Absence Service Credit* form, to be completed by the employer that granted the absence. The member may obtain the form by contacting the ASRS Member Service Center.

### **What is the Cost?**

For service purchase requests made prior to August 25, 2004, the active member must pay the employee and employer contributions at the approved contribution rate(s) for the period of the absence (up to one year) based on the annual salary rate at the time the absence began. The member also pays interest to the date of payment. There is no cost to the employer.

The cost to purchase service for requests made on or after August 25, 2004 is the Actuarial Present Value.

Actuarial Present Value defines the current value of a member's future retirement benefit, compared to the value of the benefit with the additional service years included in the calculation. The member pays the difference between these two values, thereby fully funding his future benefit.

The change to use Actuarial Present Value was made to more accurately capture the cost of service purchase because it relies on individual calculations, factoring in a member's years of service, age, current annual compensation, and amount of service credit purchased.

### **Is the Purchase Restricted?**

For members whose membership began on or after July 1, 1999, the purchase is subject to Internal Revenue Code Section 415(c) limitations.

The purchase of service credit for an approved leave of absence by members who began ASRS membership before July 1, 1999, is not limited.

The ASRS will explain any limitations that may apply to the purchase when the cost is provided to the member. See "Limitations on Purchases" later in this section.



## Employer Responsibilities

- 1) Inform the member of the option to purchase service credit when the member applies for unpaid leave of absence and when the member returns from the absence.
- 2) Refer the member to the section on credited service in *Getting Ready for Retirement* on the ASRS website: [www.asrs.state.az.us](http://www.asrs.state.az.us).
- 3) Direct the member to contact the ASRS for the application form to purchase service credit for the leave of absence. The employee must deliver the form to you for completion of the employer portion of the form.
- 4) Complete the employer portion of the *Leave of Absence Service Purchase* form to verify the member's salary at the time the absence began, the period of the absence and that the absence was in the best interest of the employer.

## Notes

## Sample Approved Leave of Absence Request Form



### ARIZONA STATE RETIREMENT SYSTEM (ASRS) APPROVED LEAVE OF ABSENCE

PLEASE PRINT  
COMPLETE AND SEND  
TO: ASRS - Member Services  
PO Box 33910  
Phoenix, AZ 85067-3910

Phoenix (602) 240-2000  
Tucson (520) 239-3100  
Toll-free (800) 621-3778  
TTY (602) 240-5333  
Fax (602) 240-2003  
www.asrs.state.az.us

Please print. Refer to instructions for more information.

Disclosure of your Social Security number is mandated by Section 6109 of the Internal Revenue Code. The ASRS will use Social Security numbers only to obtain information about an individual's ASRS account or to inform the Internal Revenue Service about distributions and withholdings with respect to the individual's account.

#### 1) MEMBER SECTION - To be completed by member.

|   |                                   |                                 |
|---|-----------------------------------|---------------------------------|
| Social Security Number  | Member Name (Last, First, Middle) | Other Names Used                |
| Mailing Address   |                                   | Daytime Telephone Number<br>( ) |
| City  | State                             | ZIP                             |
| Pursuant to Arizona Revised Statutes § 38-744, I hereby apply to purchase service credit for an approved leave of absence (up to one year) from the following employer: |                                   | Work Phone Number<br>( )        |
| Name of Employer Granting Leave   |                                   | Through (MM/DD/YY)              |

#### Member Statements of Understanding, Permission, and Signature

Your signature below indicates you have read, understand, and agree with each statement.

- I understand I may purchase Leave of Absence (LOA) service credit of up to one year, per each approved leave of absence, if I returned to work with the same employer that approved the LOA.
- The ASRS will use the Actuarial Present Value calculation method to determine the cost of your service purchase request.
- I give the above-named employer permission to share all necessary information from my records in order to process this request.

|                  |      |
|------------------|------|
| Member Signature | Date |
|------------------|------|

#### 2) EMPLOYER SECTION – Employer must complete and sign to verify the approved Leave of Absence benefited or was in the best interest of the employer.

|  |   |
|--|---|
| Approved Leave of Absence Period<br>Through (MM/DD/YY)                             | Return to Work Date<br>(MM/DD/YY)             |
| OR: If employment was not resumed, why (e.g. disability or no position available). | Employee's Annual Salary Prior to Leave<br>\$ |
| Employer Name  | Phone Number<br>( )                           |
| Authorized Employer Representative's Name (Please print.)                          | Fax Number<br>( )                             |
| Authorized Employer Representative's Signature (Please sign.)                      | Date  |



## Service with Another Public Employer

Active members may purchase service credit for any amount of time worked while contributing to another public retirement plan. “Public employer” is defined as the United States government, a state or local government, or a political subdivision of the United States or a state, including special districts such as fire, water conservation and irrigation districts. If the service with another public employer was covered by a retirement plan, the member cannot receive a benefit or be eligible to receive a future benefit from any other retirement plan based on the service to be purchased.

**NOTE:** *If a member earned credited service in the former employer's retirement program, and has not already forfeited all rights to future benefits under the previous plan, the member must do so before completing the purchase. Normally this is accomplished through a withdrawal or rollover of funds from the previous plan.*

Active members may purchase time worked for another public employer even though no contributions were made to the public retirement plan. This would include waiting periods for eligibility to participate in a public retirement plan or work which did not meet eligibility requirements for a public retirement plan. A member may not purchase service that overlaps with credited service already received during that time.

### Is any Additional Documentation Required?

Yes. The member must submit a completed *Affidavit of Other Public Service (OPS)* for each public employer for which service was performed. The member may obtain the form by contacting the ASRS Member Service Center or by downloading the form from the ASRS website at [www.asrs.state.az.us](http://www.asrs.state.az.us). The member will note on the affidavit whether the service was covered by a retirement plan and, if so, whether the member is receiving or eligible to receive a future retirement benefit from the service. **The form will not be accepted unless initialed where indicated and notarized.**

### What is the Cost?

For service purchase requests made prior to August 25, 2004, the ASRS assesses the cost at “normal cost,” which is a fixed cost as determined by the ASRS actuary to fund future retirement benefits.

For service purchase requests made on or after August 25, 2004, the ASRS assess the cost at the Actuarial Present Value. Actuarial Present Value defines the current value of a member's future retirement benefit, compared to the value of the benefit with the additional service years included in the calculation. The member pays the difference between these two values, thereby fully funding his future benefit.

The change to use Actuarial Present Value was made to more accurately capture the cost of service purchase because it relies on individual calculations, factoring in a member's years of service, age, current annual compensation, and amount of service credit purchased. Options that use the Actuarial Present Value calculation are listed in the next section.

### **Is the Purchase Restricted?**

For members who began ASRS membership on or after July 1, 1999, the purchase of service credit may be limited due to the Internal Revenue Code Section 415(C).

Members who began ASRS membership before July 1, 1999 may purchase service credit for other public service that was covered by a retirement plan without IRC limitation.

The ASRS will explain any limitations that may apply to the purchase when the cost is provided to the member. See "Limitations on Purchases" later in this section.

### **Employer Responsibilities**

- 1) Refer the member to the section on credited service in *Getting Ready for Retirement* on the ASRS website at [www.asrs.state.az.us](http://www.asrs.state.az.us).
- 2) Direct the member to contact the ASRS for the *Affidavit of Other Public Service (OPS)* form to purchase service with another public employer.

## **Active Duty Military Service (Prior to ASRS-Covered Employment)**

An active member may purchase ASRS service credit for any amount of active duty, active reserve, or National Guard duty. The member must have received an honorable discharge from the military.

The member must provide a copy of their military service record (DD-214), or its equivalent, to document the active duty service and the honorable discharge.

### **Is any Additional Documentation Required?**

Yes. The member must submit a copy of the *DD form 214, Military Service Record*, or its equivalent (i.e., *Reserve Point Summary, National Guard NGB22*) to document the active duty service. The member may obtain the DD 214 form from his records or from the department of records of the military service for which the service was performed.

### **What is the Cost?**

For service purchase requests made prior to August 25, 2004, the ASRS assesses the cost at “normal cost,” which is a fixed cost as determined by the ASRS actuary to fund future retirement benefits.

For service purchase requests made on or after August 25, 2004, the ASRS assesses the cost at the Actuarial Present Value. Actuarial Present Value defines the current value of a member’s future retirement benefit, compared to the value of the benefit with the additional service years included in the calculation. The member pays the difference between these two values, thereby fully funding his future benefit.

The change to use Actuarial Present Value was made to more accurately capture the cost of service purchase because it relies on individual calculations, factoring in a member’s years of service, age, current annual compensation, and amount of service credit purchased. Options that use the Actuarial Present Value calculation are listed in the next section.

### **Is the Purchase Restricted?**

For members who began ASRS membership on or after July 1, 1999, the purchase of service credit may be limited due to the Internal Revenue Code Section 415(C).

Members who began ASRS membership before July 1, 1999 may purchase service credit for other public service that was covered by a retirement plan without IRC limitation.

The ASRS will explain any limitations that may apply to the purchase when the cost is provided to the member. See “Limitations on Purchases” later in this section.

### **Employer Responsibilities**

- 1) Refer the member to the section on credited service in *Getting Ready for Retirement* or on the ASRS website at [www.asrs.state.az.us](http://www.asrs.state.az.us).
- 2) Direct the member to contact the ASRS to request a purchase of Active Duty Military Service and to provide the *DD form 214, Military Service Record*, or its equivalent (i.e., *Reserve Point Summary, National Guard NGB22*).

## Military Active Duty Presidential Call-up

If a member volunteers or is ordered by a presidential call-up to active military service from covered employment with an ASRS employer, the member is entitled to ASRS credited service for up to 60 months of the period of the active duty.

The member must return to employment with the same employer within 90 days of discharge. If the member is hospitalized as a result of military service and returns to employment for the same employer from which the member left for active military service within 90 days after release from service related hospitalization, or dies as a result of the military service, the ASRS employer is required to notify the ASRS and provide documentation. Confirmation of the status of the service as call-up under a presidential order will be documented in the official military orders for active duty. The employer is required to pay employee and employer contributions for the period of the active duty call-up service based on the member's compensation when called to active duty.

## Notes

## Sample Presidential Call-Up Form



### ARIZONA STATE RETIREMENT SYSTEM (ASRS) PRESIDENTIAL CALL-UP

PLEASE PRINT

COMPLETE AND SEND TO:  
ASRS - Member Services  
PO Box 33910  
Phoenix, AZ 85067-3910

Phoenix (602) 240-2000  
Tucson (520) 239-3100  
Toll-Free (800) 621-3778  
TTY (602) 240-5333  
Fsx (602) 240-5340  
www.asrs.state.az.us

#### Description

As mandated by A.R.S. § 38-745, an employee who is an active member of the ASRS, is a member of the Arizona National Guard, or is a member of the reserves of the United States military, and volunteers or is ordered into active military service as part of a military call-up is eligible to receive ASRS credited service time while on active duty. The employee must be honorably separated from active duty and return to the same employer within 90 days of either discharge from active duty or release from service-related hospitalization; or died as a result of active military service. The employee can receive a maximum of 60 months of ASRS credited service. The employer must pay both the employee and employer contributions in lump sum upon return to work or receipt of a death certificate. These contributions are based on the salary received immediately before the member volunteered or was ordered into active service.

Should the employee serve over 60 months in the military call-up, the employee can purchase any of the months over the maximum of 60 months by utilizing the standard procedure for purchasing active military service (the employee should contact the ASRS for this information).

The employee must provide a DD-214 or its equivalent to their employer who will then substantiate military service due to military call up. The employer will provide both the DD-214 or its equivalent and the salary to the ASRS. If the employee died as a result of active duty, a death certificate must be provided. Once this document and the employee's DD-214 or equivalent are received, the ASRS will generate an invoice. This invoice will be sent to the person entered in "Employer Contact Name."

#### To be completed by the Employer.

Disclosure of the Social Security number is mandated by Section 6109 of the Internal Revenue Code. The ASRS will use Social Security numbers only to obtain information about an individual's ASRS account to inform the Internal Revenue Service of distributions and withholdings with respect to the individual's account.

##### 1) Member Information

|  |  |
|--|--|
| Social Security Number<br><i>000-00-0000</i> | Member Name (Last, First, Middle)<br><i>Doe, John Q.</i> |
|--|--|

##### 2) Military Service Due to Presidential Call-Up

|   |   |   |
|---|---|---|
| Start Date of Call-Up Service: (MM/DD/YY)<br><i>Can be found on Military Orders</i> | Salary Prior to Call-Up<br><i>\$ 00,000</i>   | Did member receive paid leave during this time?<br><input type="checkbox"/> Yes <input type="checkbox"/> No |
| End Date of Call-Up Service: (MM/DD/YY)<br><i>Can be found on Military Orders</i>   | Returned to Work Date: (MM/DD/YY)<br><i>Employer date of return—is not on Military Orders</i> |   |

##### 3) Employer Information

|   |  |  |
|---|--|--|
| Employer Name<br><i>Full Employer Name</i>              |  |  |
| Employer Address<br><i>Employer Street Address</i>      | City<br><i>Employer City/Town</i>                  | ZIP<br><i>88888</i>                          |
| Employer Contact Name<br><i>Print HR Manager's Name</i> | Employer Telephone Number<br><i>(602) 555-5555</i> | Employer Fax Number<br><i>(602) 555-5555</i> |
| Employer Contact Signature<br><i>Sign Here</i>          |  | Date<br><i>TODAY'S DATE</i>                  |





## Transfers to and from Other Arizona State Retirement Plans

An actively contributing member of any State of Arizona public retirement plan may transfer credited service earned through covered employment under another of the Arizona state retirement plans to the member's current plan. Other State of Arizona public retirement systems include Public Safety Personnel Retirement System (police and firefighters), Elected Officials Retirement System, and Correction Officers Retirement Plan. An active member also may transfer credited service between the ASRS and retirement plans for City of Phoenix and City of Tucson. Such transfers may take place before or at the time of retirement. (ARS §38-730, §38-855, §38-921, §38-922)

The current retirement plan and the former plan each calculate the actuarial present value of the member's credited service to that plan. The plans then determine between them, according to procedures established in statute, the amounts that will be transferred. Because the value of the service may be greater with a prior plan, the member may be required to pay an additional amount to transfer the full amount of credited service earned. The member may also choose to transfer a prorated amount for a lesser amount of service credit. (This is not necessary in transfers with the city plans.)

### Employer Responsibilities

Refer the member to the plan to which service is being transferred for more information.

You have no other responsibilities to the ASRS regarding a transfer.

## Payment for a Service Purchase

There are three payment methods for purchasing service credit. Arizona State statutes allow members to buy service time utilizing one of the following options:

- 1) **Lump Sum Payment:** The full or partial cost of the purchase may be made in after-tax payments. To purchase service through more than one after-tax payment, all after-tax payments must be submitted before your invoice letter has expired. See "Limitations on Purchases" in the next part of this section.

***NOTE:*** For members who joined the ASRS on or after July 1, 1999, after-tax payments are subject to the annual limits on contributions to the ASRS



*contained in 415(b) and (c) of the Internal Revenue Code of 1986. Subject to the criteria of the law, individual limits may vary.*

- 2) **Rollover:** A rollover is a transfer of monies from an eligible retirement plan or IRA to the ASRS. To be accepted by the ASRS, a rollover must meet specific criteria.
- 3) **Pre-Tax Payroll Deduction Authorization (PDA):** Service credit may be purchased through a Payroll Deduction Authorization (PDA). Payroll deductions have IRS approval for pre-tax qualification, which then reduces the member's taxable income. Payroll Deduction Authorizations established from a service purchase request submitted on or after July 1, 2004 will include interest. The interest rate is the same as the ASRS earnings rate, currently eight percent. See the end of this section for a sample of a PDA.

**A PDA is a binding contract that can only terminate if the contract is paid off or the employee terminates work.** If another ASRS employer hires the employee before the employee leaves the first ASRS employment, the employee must continue the PDA with the new ASRS employer. These terms are specified in the PDA.

ARS §38-747 allows a member to set up a termination PDA. Termination pay means any lump sum that is paid at the member's termination of employment for accrued vacation, sick leave, or overtime pay. The member may utilize all or any part of her termination pay to purchase service credit. The member is required to have the termination PDA in place at least three calendar months before termination. The ASRS recommends that the member pursue this option at least one year before retiring as the service purchase process may take at least six months. Please make sure your employees understand your policies regarding termination pay.

## Limitations on Purchases

An "after-tax" purchase by a member who began ASRS membership on or after July 1, 1999 may be restricted under provisions of ARS §38-747 and Section 415 (c) of the Internal Revenue Code (IRC). An after-tax purchase by any active ASRS member of service credit for work with another public employer that was not included in coverage under a retirement plan also may be restricted. (An **after-tax** purchase occurs when payment is made by check. Payment by rollover distribution or under a payroll deduction agreement is a **pre-tax** payment and is not subject to this restriction.)

An active member may make an after-tax purchase at any dollar amount. However, if the member makes a restricted after-tax payment in excess of \$30,000, the purchase is limited through a restriction on the member's

retirement benefit. IRC Section 415 (c) provides that the portion of the member's retirement benefit derived from the purchased service credit is subject to benefit limits contained in IRC Section 415 (b) (and ARS §38-769).

Even though IRC Section 415 (b) may limit the benefit payable from the ASRS, the member will not suffer any loss of retirement benefits. The ASRS will pay the member's monthly retirement annuity up to the IRC Section 415 (b) limit. The ASRS also will pay the member any excess over the IRS limit on a separate check from the ASRS excess benefit arrangement. The result is that the member will receive the full retirement benefit according to the ASRS benefit formula.

The ASRS will explain any limitations that may apply to the purchase when the cost is provided to the member.

## Notes

# Sample Service Purchase Payment Request Instructions



## ARIZONA STATE RETIREMENT SYSTEM (ASRS) SERVICE PURCHASE PAYMENT REQUEST INSTRUCTIONS

Phoenix (602) 240-2000  
Tucson (520) 239-3100  
Toll-free (800) 621-3778  
TTY (602) 240-5333  
Fax (602) 240-2003  
[www.asrs.state.az.us](http://www.asrs.state.az.us)

### Eligibility Requirements for Payment Options

- The ASRS will not accept any payments without a valid invoice. An invoice is valid on or before its due date.
- Prior to or on your invoice due date, the ASRS must receive the attached *Service Purchase Payment Request* form and any after-tax payments you plan to make that are not in conjunction with a rollover/transfer.

### SECTION 1 – Member Information Please print your personal data.

### SECTION 2 – Service Purchase Information

- Enter the Request ID number from your invoice. You will need a separate Service Purchase Payment Request form for each Request ID number. All payment options on the attached form will apply only to the Request ID you indicate in this section.
- Enter the number of years you wish to purchase from the years eligible on your invoice.

### SECTION 3 – Payment Options

#### **Option A: Rollover/Transfer** – Check this box if you plan to use funds from an eligible plan or IRA.

- List the number of rollover/transfers that you plan to use for this particular request.
- For direct rollover/transfers, use the enclosed *Direct Rollover/Transfer Certification to Purchase Service Credit* form. Make copies of the form or call the ASRS for additional forms if you have more than one rollover.
- All rollover/transfers must be completed within 90 days of the date your invoice was issued.

#### **Option B: After-tax Check** – Check this box if you plan to use after-tax funds. List the check number and the check amount. (Note: refer to the *Service Purchase Payment Request* form for information regarding 415 after-tax limits.)

- If not in conjunction with a rollover/transfer, your after-tax check must be received by the due date on your invoice. If in conjunction with a rollover/transfer, you have 30 days after the rollover/transfer is completed to submit an after-tax check.

#### **Option C: Payroll Deduction Authorization (PDA) Payments** – Check this box if you plan to use pre-tax deductions from your paycheck.

- List the amount you wish to have deducted from each pay period.
- The amount you request must be at least \$10, purchase at least 0.001% of service, and may not be for a contracted duration of more than 20 years.
- On July 1, 2004, the ASRS began charging 8% interest on PDAs for Service Purchase requests made on or after that date.
- Upon receipt of your request form, the ASRS will prepare a contract for your review and signature.

#### **Option D: Partial Lump Sum (PLS)** – Check this box if you plan to use the partial lump sum option. NOTE: You must also complete and submit a retirement application and a *Partial Lump Sum Retirement Distribution* form.

- List your retirement date (must be within six months of the date your invoice was issued).

#### **Option E: Termination Pay** – Check this box if you plan to use any termination pay you are entitled to receive on a pre-tax basis upon leaving work to pay for all or a portion of an existing service purchase request.

- List your retirement date (must be within six months of the date your invoice was issued), or last day worked.
- Termination pay may only consist of vacation, sick, and overtime pay.
- To utilize termination pay you must complete and submit to the ASRS the enclosed *Termination Payment Authorization for the Purchase of Service Credit* form at least three full calendar months prior to your termination date. If you use termination pay in conjunction with a PLS payment to purchase service, the processing of your retirement will be delayed. (A full calendar month equals the first through the last day of a month.)

# Sample Service Purchase Payment Request Form



## ARIZONA STATE RETIREMENT SYSTEM (ASRS) SERVICE PURCHASE PAYMENT REQUEST

PLEASE PRINT

COMPLETE AND SEND TO:  
ASRS - Member Services  
PO Box 33910  
Phoenix, AZ 85067-3910

Phoenix (602) 240-2000  
Tucson (520) 239-3100  
Toll-free (800) 621-3778  
TTY (602) 240-5333  
Fax (602) 240-2003  
www.asrs.state.az.us

Please print. Refer to instructions for more information.

Disclosure of your Social Security number is mandated by Section 6109 of the Internal Revenue Code. The ASRS will use Social Security numbers only to obtain information about an individual's ASRS account and to inform the Internal Revenue Service of distributions and withholdings with respect to the individual's account.

### 1) Member Information

|                        |                                       |     |  |
|------------------------|---------------------------------------|-----|--|
| Social Security Number | Member Name (Last, First, Middle)     |     |  |
| Mailing Address        | Daytime Telephone Number<br>(       ) |     |  |
| City                   | State                                 | ZIP |  |

### 2) Service Purchase Information

Request ID Number: \_\_\_\_\_

Years to Purchase: \_\_\_\_\_

### 3) Payment Options: Check and complete each option that you plan to use.

| <input type="checkbox"/> OPTION A<br>Rollover/Transfer <sup>1</sup> | <input type="checkbox"/> OPTION B<br>After-tax Check <sup>2</sup> | <input type="checkbox"/> OPTION C<br>PDA Payments | <input type="checkbox"/> OPTION D<br>Partial Lump Sum<br>(For retiring members only.) | <input type="checkbox"/> OPTION E<br>Termination Pay <sup>3</sup><br>(For retiring or terminating members only.) |
|---|---|---|---|--|
| Anticipated Number of Rollover/Transfers                            | Check #   | Check Amount                                      | Amount Per Pay Period   | Retirement Date  |
|   |   |   |   | Retirement Date or Last Day Worked (if not retiring)   |

|                  |      |
|------------------|------|
| Member Signature | Date |
|------------------|------|

<sup>1</sup> If you plan to **directly roll over or transfer** funds from an eligible plan or IRA, you must use the enclosed *Direct Rollover/Transfer Certification to Purchase Service Credit* form. If you plan to do more than one direct rollover/transfer, please make copies of the form or contact the ASRS for additional forms. In the unlikely event that you will **indirectly roll over** funds from an eligible plan or IRA, you must contact the ASRS to obtain the required forms. Indirect rollovers are rare and should only take place under unique circumstances.

<sup>2</sup> For members who joined the ASRS on or after July 1, 1999, after-tax payments are subject to the annual limits (highest payment allowed) on contributions to the ASRS contained in § 415(b) and (c) of the Internal Revenue Code of 1986. Individuals' after-tax contribution limits vary, depending on certain criteria. The lowest limit, under § 415(c) is \$41,000 for fiscal year 2005. If you plan to make after-tax payments in excess of \$41,000 for fiscal year 2005, please contact the ASRS to determine your particular after-tax contribution limit.

<sup>3</sup> You must submit to the ASRS the enclosed *Termination Payment Authorization for the Purchase of Service Credit* form at least three full calendar months prior to your last day of work to be eligible for this payment option. Termination payments will be accepted up to a maximum of six months from the date your service purchase invoice was mailed to you.



## Sample Payroll Deduction Authorization (Before July 2004)

Does not include interest

|  |   |
|--|---|
| Date _____   |   |
| Member Name<br>Address<br>City State ZIP   |   |
| <b>Irrevocable Payroll Deduction Authorization for the Purchase of Service Credit</b>  |   |
| This is a contract between the Arizona State Retirement System (ASRS) and the undersigned member for the purpose of allowing the member to purchase service credit, or to redeposit contributions previously withdrawn, through regular payroll deductions.  |   |
| <b>Member Authorization for Payroll Deductions</b>   |   |
| Please read the following and sign below to indicate your understanding and authorization of the terms of this contract.   |   |
| I understand that Section 414(h)(2) of the Internal Revenue Code requires this Payroll Deduction Authorization (PDA) relating to my redeposit or purchase of service credit to be irrevocable in order to qualify it for tax deferral.   |   |
| To establish the deductions from my salary for the purpose of purchasing service credit with the ASRS, I hereby authorize the following:   |   |
| 1) The amount of the deduction for each payroll period will be:<br>2) The total amount of the authorized deductions will be:<br>3) The number of full-deduction payments required to complete this purchase is:<br>4) The total years of service credit to be purchased is:<br>5) The type of service credit to be purchased is:<br>6) If <b>later</b> than 8 weeks from the date of this contract, the date deductions will start is: (Month/Day/Year)<br>7) <b>Payroll deductions will continue until the total amount of the required deductions has been paid to the ASRS.</b> | #NA<br>#NA<br>#NA<br>#NA<br>#NA<br><br><br> |
| I, the undersigned, have personally initialed Statements 1 through 13 on Page 2 of this contract. I irrevocably authorize the payroll deductions detailed above, under the conditions specified. I also understand I must return this signed agreement within 14 days from the date of this notice for it to be processed. If I do not return the signed agreement within the allotted time, the cost to purchase the service and the PDA will be null and void.   |   |
| Social Security Number*: #N/A  | Agreement Number: #N/A                      |
| Member Signature _____ Date _____  |   |
| Employer Number: #N/A  | Employer Name: #N/A                         |
| <small>* Disclosure of your Social Security number is mandated by Section 6109 of the Internal Revenue Code. The ASRS will use Social Security numbers only to obtain information about an individual's ASRS account and to inform the Internal Revenue Service about distributions and withholdings with respect to the individual's account.</small>   |   |
| Irrevocable Payroll Deduction Authorization  | Page 1 of 3<br>Revised: 09/14/04            |

Social Security Number\*: #N/A

Member Name: #N/A

Agreement Number: #N/A

### Irrevocable Payroll Deduction Authorization

Carefully read and initial each statement to indicate your understanding.

- \_\_\_\_\_ 1. This Payroll Deduction Authorization (PDA) is binding and irrevocable.
- \_\_\_\_\_ 2. Payments specified in this PDA are in addition to the regular, required contributions I make to the ASRS.
- \_\_\_\_\_ 3. Payments specified in this PDA must be made directly to the ASRS from my employer, and I do not have the option of receiving such funds directly from my employer.
- \_\_\_\_\_ 4. My employer is obligated to make payments pursuant to this PDA after other mandatory deductions are made.
- \_\_\_\_\_ 5. My employer cannot accept an election to change voluntary deductions from my pay if the change would leave an amount insufficient for the deduction agreed upon in this PDA. For example:
- Voluntary changes to Federal and State Income Tax withholding.
  - Voluntary changes to medical or dental insurance coverage.
  - Voluntary deductions for tax-sheltered annuities or deferred compensation plans.
- \_\_\_\_\_ 6. This agreement shall remain in effect until (a) the authorized payroll deductions are completed, or (b) my employment is terminated, whichever occurs first. **There is no provision for termination of this PDA due to financial hardship.**
- \_\_\_\_\_ 7. Service will be credited only upon the receipt of payments authorized by me under this PDA.
- \_\_\_\_\_ 8. If I have elected in this PDA to purchase only a portion of the service credit to which I am entitled, I may be eligible to make additional irrevocable PDAs with my employer. At that time, I may make contributions to the ASRS to purchase additional service credit. However, such additional PDAs, after-tax contributions, contributions by trustee-to-trustee transfers, and rollover contributions will not alter, amend, or revoke the provisions of this PDA.
- \_\_\_\_\_ 9. Within 10 days of the termination of my employment or my effective ASRS retirement, I may request that the ASRS calculate the amount I still owe for this PDA. I further understand I must complete any such purchase within (a) 30 days from the date of my ASRS balance letter if my payment consists of after-tax money (subject to state and federal laws), or (b) 90 days from the date of my ASRS balance letter if my payment consists of a trustee-to-trustee transfer or rollover.
- \_\_\_\_\_ 10. I must notify the ASRS within 90 days of my termination from this employer if I wish to continue the terms of this PDA with a new ASRS employer. I understand that failure to notify the ASRS within 90 days will result in the expiration of this PDA.
- \_\_\_\_\_ 11. It is my responsibility to ensure that my employer properly deducts payments as provided by the terms of this PDA.
- \_\_\_\_\_ 12. The amount of PDA payments I may make is subject to federal laws.

Social Security Number\*: #N/A

Member Name: #N/A

Agreement Number: #N/A

### Termination Pay Addendum to the Irrevocable Payroll Deduction Authorization

**IMPORTANT:** The following election is optional. You should initial the following statement, elect a termination pay option, sign and date this addendum only if you wish to and agree to irrevocably commit to use termination pay that is payable to you upon your separation of service toward any remaining service balance of this contract if the terms of the contract have not been fulfilled upon your separation of service.

\_\_\_\_\_ 13. **This election is optional, initialing here means you agree to the statements listed below, in order to use any vacation, sick and overtime pay that would be payable to you upon your termination of service.**

- I understand and agree that I must continue working at least three full calendar months after the date that I submit this Irrevocable Payroll Deduction Authorization before termination pay may be used on a pre-tax basis.
- I further understand that if my termination payment exceeds the balance of service on my contract, the overage will be returned to the associated employer to be distributed to me.
- I have elected to irrevocably agree to have termination pay, as indicated below, that may be payable to me upon termination of employment, sent to the ASRS on a pre-tax basis and supplied toward any remaining balance of this contract if all scheduled deductions have not been completed upon my separation of service.

(Check ☒ one)

- ☐ All termination pay (vacation, sick and overtime pay).
- ☐ The following amount of my termination pay \$\_\_\_\_\_ [insert amount] or all termination pay, whichever is less.



## Sample Payroll Deduction Authorization (After July 2004)

### Includes interest

|  |                        |   |                        |   |     |   |     |  |     |   |     |   |  |   |  |  |  |
|--|------------------------|---|------------------------|---|-----|---|-----|--|-----|---|-----|---|--|---|--|--|--|
| Date _____   |                        |   |                        |   |     |   |     |  |     |   |     |   |  |   |  |  |  |
| Member Name _____<br>Address _____<br>City State ZIP _____   |                        |   |                        |   |     |   |     |  |     |   |     |   |  |   |  |  |  |
| <b>Irrevocable Payroll Deduction Authorization for the Purchase of Service Credit</b>  |                        |   |                        |   |     |   |     |  |     |   |     |   |  |   |  |  |  |
| This is a contract between the Arizona State Retirement System (ASRS) and the undersigned member for the purpose of allowing the member to purchase service credit, or to redeposit contributions previously withdrawn, through regular payroll deductions.  |                        |   |                        |   |     |   |     |  |     |   |     |   |  |   |  |  |  |
| <b>Member Authorization for Payroll Deductions</b>   |                        |   |                        |   |     |   |     |  |     |   |     |   |  |   |  |  |  |
| Please read the following and sign below to indicate your understanding and authorization of the terms of this contract.   |                        |   |                        |   |     |   |     |  |     |   |     |   |  |   |  |  |  |
| I understand that Section 414(h)(2) of the Internal Revenue Code requires this Payroll Deduction Authorization (PDA) relating to my redeposit or purchase of service credit to be irrevocable in order to qualify it for tax deferral.   |                        |   |                        |   |     |   |     |  |     |   |     |   |  |   |  |  |  |
| To establish the deductions from my salary for the purpose of purchasing service credit with the ASRS, I hereby authorize the following:   |                        |   |                        |   |     |   |     |  |     |   |     |   |  |   |  |  |  |
| <table style="width: 100%; border: none;"><tr><td style="width: 80%;">1) The amount of the deduction for each payroll period will be:</td><td style="width: 20%;">#NA</td></tr><tr><td>2) The total amount of the authorized deductions will be:</td><td>#NA</td></tr><tr><td>3) The number of full-deduction payments required to complete this purchase is:</td><td>#NA</td></tr><tr><td>4) The total years of service credit to be purchased is:</td><td>#NA</td></tr><tr><td>5) The type of service credit to be purchased is:</td><td>#NA</td></tr><tr><td colspan="2">6) If <b>later</b> than 8 weeks from the date of this contract, the date deductions will start is: (Month/Day/Year)</td></tr><tr><td colspan="2">7) <b>Payroll deductions will continue until the total amount of the required deductions has been paid to the ASRS.</b></td></tr><tr><td colspan="2">8) The cost to purchase this service includes an 8% per annum interest charge on the unpaid balance.</td></tr></table> |                        | 1) The amount of the deduction for each payroll period will be: | #NA                    | 2) The total amount of the authorized deductions will be: | #NA | 3) The number of full-deduction payments required to complete this purchase is: | #NA | 4) The total years of service credit to be purchased is: | #NA | 5) The type of service credit to be purchased is: | #NA | 6) If <b>later</b> than 8 weeks from the date of this contract, the date deductions will start is: (Month/Day/Year) |  | 7) <b>Payroll deductions will continue until the total amount of the required deductions has been paid to the ASRS.</b> |  | 8) The cost to purchase this service includes an 8% per annum interest charge on the unpaid balance. |  |
| 1) The amount of the deduction for each payroll period will be:  | #NA                    |   |                        |   |     |   |     |  |     |   |     |   |  |   |  |  |  |
| 2) The total amount of the authorized deductions will be:  | #NA                    |   |                        |   |     |   |     |  |     |   |     |   |  |   |  |  |  |
| 3) The number of full-deduction payments required to complete this purchase is:  | #NA                    |   |                        |   |     |   |     |  |     |   |     |   |  |   |  |  |  |
| 4) The total years of service credit to be purchased is:   | #NA                    |   |                        |   |     |   |     |  |     |   |     |   |  |   |  |  |  |
| 5) The type of service credit to be purchased is:  | #NA                    |   |                        |   |     |   |     |  |     |   |     |   |  |   |  |  |  |
| 6) If <b>later</b> than 8 weeks from the date of this contract, the date deductions will start is: (Month/Day/Year)  |                        |   |                        |   |     |   |     |  |     |   |     |   |  |   |  |  |  |
| 7) <b>Payroll deductions will continue until the total amount of the required deductions has been paid to the ASRS.</b>  |                        |   |                        |   |     |   |     |  |     |   |     |   |  |   |  |  |  |
| 8) The cost to purchase this service includes an 8% per annum interest charge on the unpaid balance.   |                        |   |                        |   |     |   |     |  |     |   |     |   |  |   |  |  |  |
| I, the undersigned, have personally initialed Statements 1 through 13 on Page 2 of this contract. I irrevocably authorize the payroll deductions detailed above, under the conditions specified. I also understand I must return this signed agreement within 14 days from the date of this notice for it to be processed. If I do not return the signed agreement within the allotted time, the cost to purchase the service and the PDA will be null and void.   |                        |   |                        |   |     |   |     |  |     |   |     |   |  |   |  |  |  |
| <table style="width: 100%; border: none;"><tr><td style="width: 50%;">Social Security Number*: #N/A</td><td style="width: 50%;">Agreement Number: #N/A</td></tr></table>   |                        | Social Security Number*: #N/A                                   | Agreement Number: #N/A |   |     |   |     |  |     |   |     |   |  |   |  |  |  |
| Social Security Number*: #N/A  | Agreement Number: #N/A |   |                        |   |     |   |     |  |     |   |     |   |  |   |  |  |  |
| Member Signature _____ Date _____  |                        |   |                        |   |     |   |     |  |     |   |     |   |  |   |  |  |  |
| <table style="width: 100%; border: none;"><tr><td style="width: 33%;">Employer Number: #N/A</td><td style="width: 33%;">Employer Name: #N/A</td><td style="width: 33%;"></td></tr></table>   |                        | Employer Number: #N/A   | Employer Name: #N/A    |   |     |   |     |  |     |   |     |   |  |   |  |  |  |
| Employer Number: #N/A  | Employer Name: #N/A    |   |                        |   |     |   |     |  |     |   |     |   |  |   |  |  |  |
| <small>* Disclosure of your Social Security Number is mandated by Section 6109 of the Internal Revenue Code. The ASRS will use Social Security Numbers only to obtain information about an individual's ASRS account and to inform the Internal Revenue Service about distributions and withholdings with respect to the individual's account.</small>   |                        |   |                        |   |     |   |     |  |     |   |     |   |  |   |  |  |  |
| <table style="width: 100%; border: none;"><tr><td style="width: 33%;">Irrevocable Payroll Deduction Authorization</td><td style="width: 33%;">Page 1 of 3</td><td style="width: 33%; text-align: right;">Revised: 09/14/04</td></tr></table>   |                        | Irrevocable Payroll Deduction Authorization                     | Page 1 of 3            | Revised: 09/14/04   |     |   |     |  |     |   |     |   |  |   |  |  |  |
| Irrevocable Payroll Deduction Authorization  | Page 1 of 3            | Revised: 09/14/04   |                        |   |     |   |     |  |     |   |     |   |  |   |  |  |  |



Social Security Number\*: #N/A

Member Name: #N/A

Agreement Number: #N/A

### Irrevocable Payroll Deduction Authorization

Carefully read and initial each statement to indicate your understanding.

- \_\_\_\_\_ 1. This Payroll Deduction Authorization (PDA) is binding and irrevocable.
- \_\_\_\_\_ 2. Payments specified in this PDA are in addition to the regular, required contributions I make to the ASRS.
- \_\_\_\_\_ 3. Payments specified in this PDA must be made directly to the ASRS from my employer, and I do not have the option of receiving such funds directly from my employer.
- \_\_\_\_\_ 4. My employer is obligated to make payments pursuant to this PDA after other mandatory deductions are made.
- \_\_\_\_\_ 5. My employer cannot accept an election to change voluntary deductions from my pay if the change would leave an amount insufficient for the deduction agreed upon in this PDA. For example:
- Voluntary changes to Federal and State Income Tax withholding.
  - Voluntary changes to medical or dental insurance coverage.
  - Voluntary deductions for tax-sheltered annuities or deferred compensation plans.
- \_\_\_\_\_ 6. This agreement shall remain in effect until (a) the authorized payroll deductions are completed, or (b) my employment is terminated, whichever occurs first. **There is no provision for termination of this PDA due to financial hardship.**
- \_\_\_\_\_ 7. Service will be credited only upon the receipt of payments authorized by me under this PDA.
- \_\_\_\_\_ 8. If I have elected in this PDA to purchase only a portion of the service credit to which I am entitled, I may be eligible to make additional irrevocable PDAs with my employer. At that time, I may make contributions to the ASRS to purchase additional service credit. However, such additional PDAs, after-tax contributions, contributions by trustee-to-trustee transfers, and rollover contributions will not alter, amend, or revoke the provisions of this PDA.
- \_\_\_\_\_ 9. Within 10 days of the termination of my employment or my effective ASRS retirement, I may request that the ASRS calculate the amount I still owe for this PDA. I further understand I must complete any such purchase within (a) 30 days from the date of my ASRS balance letter if my payment consists of after-tax money (subject to state and federal laws), or (b) 90 days from the date of my ASRS balance letter if my payment consists of a trustee-to-trustee transfer or rollover.
- \_\_\_\_\_ 10. I must notify the ASRS within 90 days of my termination from this employer if I wish to continue the terms of this PDA with a new ASRS employer. I understand that failure to notify the ASRS within 90 days will result in the expiration of this PDA.
- \_\_\_\_\_ 11. It is my responsibility to ensure that my employer properly deducts payments as provided by the terms of this PDA.
- \_\_\_\_\_ 12. The amount of PDA payments I may make is subject to federal laws.
- \_\_\_\_\_ 13. The cost to purchase this service includes an 8% per annum interest charge on the unpaid balance.

Social Security Number\*: #N/A

Member Name: #N/A

Agreement Number: #N/A

### Termination Pay Addendum to the Irrevocable Payroll Deduction Authorization

**IMPORTANT:** The following election is optional. You should initial the following statement, elect a termination pay option, sign and date this addendum only if you wish to and agree to irrevocably commit to use termination pay that is payable to you upon your separation of service toward any remaining service balance of this contract if the terms of the contract have not been fulfilled upon your separation of service.

\_\_\_\_\_ 14. This election is optional, initialing here means you agree to the statements listed below, in order to use any vacation, sick and overtime pay that would be payable to you upon your termination of service.

- I understand and agree that I must continue working at least three full calendar months after the date that I submit this Irrevocable Payroll Deduction Authorization before termination pay may be used on a pre-tax basis.
- I further understand that if my termination payment exceeds the balance of service on my contract, the overage will be returned to the associated employer to be distributed to me.
- I have elected to irrevocably agree to have termination pay, as indicated below, that may be payable to me upon termination of employment, sent to the ASRS on a pre-tax basis and supplied toward any remaining balance of this contract if all scheduled deductions have not been completed upon my separation of service.

(Check ☒ one)

☐

All termination pay (vacation, sick and overtime pay).

☐

The following amount of my termination pay \$\_\_\_\_\_ [insert amount]  
or all termination pay, whichever is less.

## Sample Termination Pay Addendum to Payroll Deduction Authorization

Member Name  
Address  
City State Zip

Date

### Termination Pay Addendum to the Irrevocable Payroll Deduction Authorization

**IMPORTANT:** The following election is optional. You should initial the following statement, elect a termination pay option, sign and date this addendum only if you wish to and agree to irrevocably commit to use termination pay that is payable to you upon your separation of service toward any remaining service balance of this contract if the terms of the contract have not been fulfilled upon your separation of service.

\_\_\_\_\_ This election is optional, initialing here means you agree to the statements listed below, in order to use any vacation, sick and overtime pay that would be payable to you upon your termination of service.

- I understand and agree that I must continue working at least three full calendar months after the date that I submit this Irrevocable Payroll Deduction Authorization before termination pay may be used on a pre-tax basis.
- I further understand that if my termination payment exceeds the balance of service on my contract, the overage will be returned to the associated employer to be distributed to me.
- I have elected to irrevocably agree to have termination pay, as indicated below, that may be payable to me upon termination of employment, sent to the ASRS on a pre-tax basis and supplied toward any remaining balance of this contract if all scheduled deductions have not been completed upon my separation of service.

(Check ☒ one)

- ☐ All termination pay (vacation, sick and overtime pay).
- ☐ The following amount of my termination pay \$\_\_\_\_\_ [insert amount]  
or all termination pay, whichever is less.

Social Security Number\*: #N/A

Agreement Number: #N/A

\_\_\_\_\_  
Member Signature

\_\_\_\_\_  
Date

Employer Number: #N/A

Employer Name: #N/A

**\*Disclosure of your Social Security number is mandated by Section 6109 of the Internal Revenue Code. The ASRS will use Social Security numbers only to obtain information about an individual's ASRS account and to inform the Internal Revenue Service about distributions and withholdings with respect to the individual's account.**

# 8. LEAVING EMPLOYMENT

## ASRS Employer Manual

|  |             |
|--|-------------|
| <b>Employer Responsibilities</b>                                 | <b>8-2</b>  |
| <b>Termination Options</b>                                       | <b>8-2</b>  |
| <b>Return of Contributions (Refund)</b>                          | <b>8-2</b>  |
| <b>Common Questions About Refunds</b>                            | <b>8-5</b>  |
| <b>Rollover of an ASRS Account to Another Eligible Program</b>   | <b>8-6</b>  |
| <b>Common Questions About Rollovers</b>                          | <b>8-7</b>  |
| <b>Leaving Funds on Deposit with the ASRS</b>                    | <b>8-8</b>  |
| <b>Advantages of Leaving an Account on Deposit with the ASRS</b> | <b>8-8</b>  |
| <b>Common Questions About Leaving Funds on Deposit</b>           | <b>8-9</b>  |
| <b>Retirement</b>  | <b>8-9</b>  |
| <b>Retirement Eligibility Qualifications</b>                     | <b>8-10</b> |
| <b>Common Questions About Retirement</b>                         | <b>8-14</b> |

# 8. LEAVING EMPLOYMENT

## Employer Responsibilities

Your general responsibilities are to keep your employees informed of their options on termination of employment. See below for specific responsibilities and refer members to the ASRS if there is a question you cannot answer.

## Termination Options

When a member terminates employment with an ASRS employer, the member has the following options concerning his or her retirement account:

- ❑ Obtain a return of contributions (Refund)
- ❑ Rollover pre-tax contributions to an IRA or another qualified retirement account
- ❑ Leave the retirement account on deposit with the ASRS in an inactive membership status for a future benefit
- ❑ If eligible, retire and begin drawing a retirement benefit
- ❑ If disabled, apply for long-term disability benefits. See "Long-term disability (LTD)" in Section 9, Other Benefit Programs.

The reasons for the termination do not affect a member's rights or options. The member's options on termination are explained in detail in the Member Handbook. Your specific responsibilities depend on the option the member chooses.

## Return of Contributions (Refund)

A member who terminates employment may obtain a refund of his or her contributions to the ASRS. When a member obtains a refund, the member forfeits ASRS service credit that has accrued to the member's account. The member is no longer eligible for a future retirement benefit for this service unless the member returns to ASRS-covered employment and reinstates the previously

forfeited service credit. See Section 7, Purchase of Service Credit, for more information.

### **Who May Obtain a Refund?**

Any member may obtain a refund of contributions after the member leaves employment. The member must be separated from ASRS employment at least 21 days to be eligible for a refund. If the ASRS determines that the same or different ASRS employer rehires a member who has requested a refund within 21 days of termination, the ASRS will reject the refund request. If the ASRS already has paid the refund, the ASRS must attempt to recover the refunded amount.

### **Who is not Entitled to a Refund?**

Members in the following situations are not entitled to receive a refund until employment is terminated:

- ❑ A termination and immediately returning to work with an ASRS employer
- ❑ A termination with an intent or agreement to return to work any time in the future
- ❑ Change of eligibility status (reduced hours, leave of absence, medical leave, or other)
- ❑ Transfer from one state agency to another state agency, or from one department to another department within an organization
- ❑ Change with the same employer to a new position that is not covered by the ASRS or transferred by law to another state retirement program

### **What may be Refunded?**

The refund is limited to the employee contributions and a portion of the employer contributions made on the members behalf, based on the total years of credited service accrued to the member's account, plus interest on the contribution amounts payable. Employer contributions and interest become vested and are refunded based on the member's accrued ASRS service credit, including purchased service credit, according to the following table:

| <b>Total Years of<br/>ASRS Service Credit</b> | <b>Percent of Employer Contributions<br/>Refunded to Member</b> |
|---|---|
| 0.0 to 4.99 years                             | 0%  |
| 5.0 to 5.99 years                             | 25%   |
| 6.0 to 6.99 years                             | 40%   |
| 7.0 to 7.99 years                             | 55%   |
| 8.0 to 8.99 years                             | 70%   |
| 9.0 to 9.99 years                             | 85%   |
| 10.0 or more years                            | 100%  |

Obtaining a refund has significant tax consequences on the employee. The member will receive a notice required by the IRS to advise the member of his rollover rights and the consequences of obtaining a refund.

Beginning July 1, 2005, interest accrued on contributions that are being refunded is 4 percent. All accounts receive 8 percent interest on June 30 of each year. If a member terminates work and refunds her account with the ASRS, interest paid on the account balance and any contributions from July 1, 2005 to date of refund accumulates at 4 percent. Account balances prior to July 1, 2005 accrued interest at 8 percent.

### **How does a Member Obtain a Refund?**

The member must contact the ASRS to obtain an *Application for Return or Transfer of Contributions* form. (The form may be downloaded from the ASRS website.) The member completes the employee sections of the form. The member must forward the form to the employer for verification of the termination if the date of the request is within six months of the termination date. The member or employer then returns the form to the ASRS. The ASRS will not accept an application for a refund before a member's termination date. In accordance with Internal Revenue Service rules, the process must be completed within 90 days after the completed refund application is received by the ASRS. If the refund or rollover cannot be completed with the time limitations, the IRS rules require the ASRS to issue a new refund application.

### **Tax Consequences**

A refund is subject to federal income tax withholding at a rate of 20 percent on the taxable portion of the refund and state income tax withholding at 5 percent on the entire refund (with the exception of after-tax payments to purchase additional credited service). The employee also may be subject to an IRS penalty of 10 percent for early withdrawal from the retirement account. (Contributions made to the plan before July 1, 1986 are not taxable income and are not subject to federal income tax on a refund.)

## Notes

## Employer Responsibilities

- ❑ Advise the member of his or her rights and termination options
- ❑ Refer the member to the ASRS website: [www.asrs.state.az.us](http://www.asrs.state.az.us) for specific information
- ❑ If the member wants to obtain a refund, direct the member to the ASRS to request an *Application for Return or Transfer of Contributions* or to the ASRS website
- ❑ If the employee is requesting the refund within six months after separation from employment, complete the employer certification statement of the refund form to certify the date of termination and final pay-period ending date and the retirement contribution for that payment.

**NOTE:** *Arizona Statutes and the Internal Revenue Code prohibit giving a refund to a member while the member is still employed with his or her ASRS employer. Also, there are no "loan" provisions. It is a violation of state and federal law to knowingly falsify a termination of employment form.*

A refund check is generally issued within 45 to 60 days from the date of notice entered on the form by the ASRS, assuming the form is returned to the ASRS in a timely manner. If the member has an emergency or hardship situation, advise the member that he or she may request a waiver of the IRS-imposed, 30-day waiting period. Contact the Member Service Division for this waiver.

## Common Questions about Refunds

**Question 1:** Can the member receive a refund of contributions if he or she is still working for a participating ASRS employer?

**Answer 1:** No. The member may receive a refund of contributions only after termination of all employment from ASRS employers and is not re-employed by a Plan employer for at least 21 days. If the employment status changes from full-time to part-time, the member may not receive a refund as long as he or she remains employed by a participating employer.

**Question 2:** When can a member request a refund of contributions?

**Answer 2:** The member may request a refund application from the ASRS no sooner than one week before termination. The employer must complete the employer's certificate on the refund application if termination was within six months of the application date.

**Question 3:** How long must a member wait to receive the refund?



**Answer 3:** A refund check will be issued no sooner than 30 days after the date of request and normally will be issued 45 to 60 days after a completed application is received by the ASRS. Subsequent checks will be issued monthly, if necessary, and will represent the additional postings of contributions received after issuance of the initial check.

**Question 4:** How can a member expedite a refund?

**Answer 4:** A member may request a waiver of the IRS-required notice with its 30-day waiting period. The ASRS will issue the refund check about two weeks after receiving completed refund and waiver requests.

**Question 5:** Can a member obtain a refund after successfully completing a law enforcement training program covered with the ASRS and then being appointed to a law enforcement position covered by the Public Safety Retirement System (PSPRS)?

**Answer 5:** No, but the member may transfer service credit to PSPRS.

## Rollover of an ASRS Account to Another Eligible Program

A member may avoid the tax consequences of a refund by requesting an eligible rollover distribution (rollover) to another retirement plan. The advantage of a rollover is that the employee will not incur the taxes and penalties associated with a refund.

An employee who obtained a refund may decide later (within 60 days of check issuance) to make an eligible rollover distribution within IRS limitations. The member should contact his or her financial institution or new retirement plan for instructions.

### **What May be Rolled Over?**

The ASRS will transfer the pre-tax portion of a member's account to a qualified retirement program or IRA. This includes employee contributions made on or after July 1, 1986 and all employer contributions and all interest included in the refund.

### **What May not be Rolled Over?**

Contributions made before July 1, 1986, cannot be rolled over to an IRA or another qualified retirement program. These were made on an after-tax basis and cannot be rolled because there is no tax deferral to be protected. The ASRS will refund these amounts directly to the member.

### How Does the Member Obtain a Rollover?

The member must contact the ASRS to obtain an *Application for Return or Transfer of Contributions*. The member completes the "Distribution Election" section provided on the back side of the form to indicate his or her rollover intentions.

#### Employer Responsibilities

- ❑ Advise the member of his or her rights and termination options
- ❑ Refer the member to the *Leaving Employment Before Retirement* section in the Member Handbook. The full handbook may be accessed at the ASRS website: [www.asrs.state.az.us](http://www.asrs.state.az.us).
- ❑ Direct the employee to either call the ASRS to request an *Application for Return or Transfer of Contributions* or go to the ASRS website
- ❑ If the employee is requesting the refund within six months of separation from employment, complete the employer certification statement of the refund form to certify the date of termination, final pay-period ending date and amount of contribution deducted from the final paycheck

#### Common Questions about Rollovers

**Question 1:** What can be rolled over?

**Answer 1:** The member may transfer only contributions made after July 1, 1986, the employer contributions included in the refund and all interest accrued on the contributions payable.

**Question 2:** What restrictions apply to a rollover?

**Answer 2:** The member must have ended employment. The rollover must be made to an IRS-qualified retirement plan or IRA. The amount transferred must be \$200 or more. The member must be under age 70 ½.

**Question 3:** How is a rollover requested?

**Answer 3:** A rollover is requested on the *Application for Return or Transfer of Contributions* in the "Distribution Election" section.

**Question 4:** Can the member roll over just a portion of his or her total amount of contributions?

**Answer 4:** Yes. The portion rolled over must be at least \$500. If the member has contributions before July 1, 1986, those contributions cannot be rolled over. The member must enter the partial amount to be rolled over on the designated line. The amount not rolled over to another retirement plan must be paid out to the member.

## Leaving Funds on Deposit with the ASRS

The member may find it to his or her advantage to leave the retirement account on deposit with the ASRS. Federal law requires distribution from the member's account when the member reaches age 70 ½. The member is not required to contact the ASRS to elect to leave funds on deposit. The member must, however, keep the ASRS informed of his or her current mailing address.

When leaving the account on deposit with the ASRS, the member's account is considered inactive and the member is not eligible for long-term disability benefits.

### Advantages of Leaving an Account on Deposit with the ASRS

If a member leaves the account on deposit with the ASRS after a termination of employment, the following provisions apply:

- ❑ Interest will accrue to the account each fiscal year, currently at 8 percent annually
- ❑ A survivor benefit is payable to the member's beneficiary in the event of the member's death
- ❑ The member may request a refund at any time after termination of employment
- ❑ The member may apply for retirement benefits at any time after the member meets retirement eligibility
- ❑ If the member returns to work with another ASRS employer, the account is reactivated and new contributions and credited service will be added to the existing account

***NOTE:*** *Deferring retirement to a later date can be advantageous to the member in some situations. This is especially true when a short delay is necessary to meet retirement eligibility or to avoid or reduce early retirement reductions. However, a delay can cause a severe loss of benefit value because the retirement benefit will be based on the salaries at termination. The benefit, therefore, loses value in relation to the increase in the cost of living.*

## Employer Responsibilities

- ❑ Advise the member of his or her rights and termination options
- ❑ Refer the member to the ASRS website: [www.asrs.state.az.us](http://www.asrs.state.az.us)
- ❑ Refer the member to the ASRS Member Services Division for more information

## Common Questions about Leaving Funds on Deposit

**Question 1:** Can the member leave money in the ASRS even if the member quits his or her job and is no longer making contributions?

**Answer 1:** Yes. In fact, the member contributions will continue to accrue interest until the member receives a benefit or until the member takes a refund of contributions.

**Question 2:** Can the member continue to make contributions after terminating employment?

**Answer 2:** No. Only active members may contribute to an ASRS retirement account.

**Question 3:** What are the benefits of leaving money in the account?

**Answer 3:** While in an inactive status, interest continues to accrue to the member's account and the member's beneficiary is entitled to a survivor benefit on the member's death. The member is eligible for a retirement benefit when the member meets the requirements for retirement. If the member has five or more years of credited service when the member retires, the member will be eligible for a portion of the health insurance premium benefit on retirement. Also, if the member returns to a participating employer, the member can add new credited service to existing service, which will increase the member's retirement benefit.

## Retirement

If the member has met the eligibility requirements, the member may want to apply for retirement benefits. Benefits may be paid under "Normal Retirement" or "Early Retirement."

### When can a Member Retire?

Once a member meets the eligibility requirements for retirement, the member may retire and begin to receive benefits as early as the day after the member terminates employment. Termination occurs when the employment relationship has ended with no agreement for the member's return to work. The member

must submit an *Application for Retirement* and is not eligible to receive retirement benefits before the ASRS receives the member's application. Benefits may be paid under Normal Retirement or Early Retirement.

## Retirement Eligibility Qualifications

### Normal Retirement

The member qualifies for "normal retirement" with the full benefit determined by the ASRS benefit formula on meeting the earliest of the following age or points criteria:

- ❑ Age 65 with any service
- ❑ Age 62 with 10 or more years of service
- ❑ 80 points: Combination of age and years of credited service  
(For example: Age 55.5 + Service 24.5 = 80 points)

A member may choose to continue employment past the first normal retirement date and earn a larger retirement benefit.

A member with the approval of the employer may choose to begin receiving a monthly retirement annuity without having to terminate employment as long as the work after the start of retirement benefits does not meet the 20-week/20 hour membership test. See Section 4, Membership, for more information.

### Early retirement

A member may retire before reaching normal retirement when the member is at least age 50 with a minimum of five years of service on the effective date of retirement. However, the member's benefit is reduced from the normal benefit calculation. See *Getting Ready for Retirement* on the ASRS website for more details regarding retirement qualifications and reduction factors.

## Notes

## Employer Responsibilities

- ❑ Encourage members to review the *Getting Ready for Retirement* handbook to get a general knowledge of their retirement program. The booklet may be accessed at the ASRS website: [www.asrs.state.az.us](http://www.asrs.state.az.us).
- ❑ Answer any questions from members and refer issues that you cannot answer to the ASRS Member Service Center.
- ❑ Encourage young employees to think ahead, even though retirement may not be their top priority. It is never too early to plan for retirement. Older employees require more specific information, as described below.
- ❑ Advise your employees to carefully review their annual benefit statements prior to retirement and to notify the ASRS of any errors.
- ❑ Encourage members to participate in an ASRS group meeting within three to five years before expected retirement. Calendars for ASRS group meetings and seminars can be found on the ASRS website.
- ❑ For members who began ASRS membership before January 1, 1984, provide the member with an estimate of any lump-sum payoffs that will be payable at termination (termination pay) and advise the member to provide this information to the ASRS Member Services Division. The ASRS will then use this information to determine whether the sixty-month benefit calculation, with the termination payment, is to the member's advantage.
- ❑ Advise a member who may be disabled that the member may be eligible for long-term disability benefits.

## How does a Member Apply for Retirement Benefits?

Be sure to advise employees planning to retire to submit an *Application for Retirement* to the ASRS three to six months before the member's expected retirement effective date. The ASRS provides an *Application for Retirement* when a member requests a retirement benefit estimate within a year of the expected retirement date. The member may contact the ASRS Member Services Division to obtain an application and estimate at any time.

**NOTE:** *The member may cancel the retirement application at any time before the retirement effective date by written notification to the ASRS. Retirement cannot be effective and benefits cannot be paid until the ASRS receives the member's application. Failure to submit the application before the retirement date will cost the member money.*

### **Withholding contributions from final pay at termination**

Withhold retirement contributions up to the applicable maximum annual compensation (See Section 5, Compensation) from:

- ❑ All regular compensation
- ❑ Eligible lump-sum termination payments for employees who began ASRS membership before Jan. 1, 1984, unless the member has asked you not to withhold. See the next page and Section 5, Compensation, for more information on eligible termination payments.

**NOTE:** *Eligible termination payments are payoffs of accrued annual and/or sick leave, compensatory time or other special payments at or for termination of employment. If it is payable to the member even if the member does not terminate employment, the payment is not termination pay.*

Do not withhold retirement contributions from lump-sum payments to employees who began ASRS membership on or after January 1, 1984. If you have questions regarding an employee's membership date, contact the ASRS External Affairs Division.

Do not withhold LTD contributions from termination payments to any employee.

### **When Should Contributions be Withheld from Lump-Sum Payments at Termination?**

General rules:

Withhold contributions from lump-sum payments at termination:

- ❑ If the member began ASRS membership before Jan. 1, 1984, and
- ❑ If the member has not told you to not withhold for retirement.

Do not withhold contributions from lump-sum payments at termination:

- ❑ If the member began ASRS membership on or after Jan. 1, 1984, or
- ❑ If the member began membership before Jan. 1, 1984, and the member advises you not to withhold contributions.

### **"Final Salary and Lump Sum Verification" Letter**

The ASRS uses the "Final Salary and Lump Sum Verification" letter to verify a member's termination date. The ASRS will also ask you to verify the member's final three payments, including any termination payments. See Section 5, Compensation. This is necessary to facilitate the benefit calculation process because the ASRS contribution processing system updates member contribution postings on a monthly batch basis. Obtaining the final payments on the

verification letter allows the ASRS to proceed with the benefit calculation without waiting for the next contribution posting run.

The ASRS will send you the verification letter approximately two weeks prior to the termination date (as indicated on the application). If the retirement application is received after the member's termination, we will forward the verification letter at that time. (The ASRS does not require a letter of verification if the member's retirement date is more than 3 months after termination.)

Complete the requested information on the "Final Salary and Lump Sum Verification" letter as soon as possible after receiving it. If the verification letter is not received by the 15th of the month, the ASRS Financial Services Division will contact you for the required information. The member's retirement payment cannot be made without the verification letter.

### **Termination Payments**

Payment of accrued annual and sick leave hours, severance and other payments made because a member is terminating employment may be treated as retirement compensation when made to eligible members, at the member's election. See Section 5, Compensation, and Section 6, Contribution Reporting, for more information on termination pay.

Do not withhold contributions from termination payments made to members who are not eligible to use termination pay in the benefit calculation.

### **Excess Contributions**

If the 60-month average with the lump-sum amounts does not provide a greater benefit for the member or if the member is not eligible for the 60-month average, the ASRS will return to the employer both the employee and employer contributions received for the termination payments. On receipt of excess contributions from the ASRS, return the employee amounts to the member. Because the contributions were withheld on a pre-tax basis, a correction to taxable income and tax withheld is required when the contributions are returned to the employee. If the withholding occurred in a prior calendar year, you must also prepare and issue a corrected W-2 to change the amounts of taxable income and tax withheld reported.

### **How to Avoid Excess Contribution Situations**

The excess contribution situation can be minimized by ensuring that the member has information available regarding expected termination payments when the member requests an estimate of his or her retirement benefits. If the member has not provided this information to the ASRS before retirement, call the External Affairs Division before completing the member's final pay. External Affairs can take the information on the termination payment and determine whether you should withhold retirement contributions.



## Common Questions about Retirement

**Question 1:** When should the member contact the ASRS?

**Answer 1:** Six months to one year prior to the employee's last day of work gives the employee enough time to make important decisions and the ASRS time to resolve any conflicts that may arise in the calculation. The application and other paperwork should be returned to the ASRS at least three months prior to the last day of work.

**Question 2:** When will the member receive the first check?

**Answer 2:** If the ASRS has received the member's application and you have submitted the "Final Salary and Lump Sum Verification" letter on time, the ASRS will issue the first check in the beginning of the month following the first full month of retirement. See the Member Handbook for examples.

**Question 3:** Will the first check include the payment for the first partial month?

**Answer 3:** Yes. It will include payment from the retirement date through the month in which the member receives the first check. Future retirement benefits are paid the first of the month.

**Question 4:** Why does it take so long to receive the first benefit payment?

**Answer 4:** The ASRS must verify information from the employer, and processing is completed for all retirees for a specific month at one time.

**Question 5:** Will the ASRS tell the member exactly how much the benefit will be?

**Answer 5:** The ASRS will give the member an estimate of the monthly benefit.

**Question 6:** Why doesn't the ASRS give an exact amount instead of an estimate?

**Answer 6:** The final calculation is based on final payment information provided by the employer after the member's termination. Therefore, any prior figures are based on projected amounts from the member prior to the member's termination.

## Notes

# 9. OTHER BENEFIT PROGRAMS

## ASRS Employer Manual

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# 9. OTHER BENEFIT PROGRAMS

The ASRS provides several benefits in addition to the lifetime retirement annuity. Employer responsibilities generally are informational in nature, but there are specific responsibilities in some instances. The benefit programs and employer responsibilities are explained below.

## Long-Term Disability Program

The ASRS oversees a long-term disability (LTD) program, funded by separate and equal employee and employer contributions and administered by a contracted insurance company. The LTD program is intended to partially replace income lost during periods of total disability resulting from a covered injury or illness. All decisions concerning a member claim are made by the contracted carrier and may be appealed to the ASRS Board of Trustees.

The LTD program covers members who currently are making contributions to the ASRS through employment with an ASRS employer. Members disabled before July 1, 1988 are not eligible for this benefit. A member who elects a refund of contributions waives any future right to this and other ASRS benefits.

### Employer Responsibilities

- ❑ Advise disabled or ill employees of the availability of the LTD program. Sometimes, disability or illness will influence a member to retire early. Refer these members to the ASRS Member Services Division to determine whether the LTD program might be more advantageous to the member, if eligible.
- ❑ Provide the *Long-term Disability Claim Statement* to a member. When the member has completed his part of the claim form, complete the employer portion of the claim statement on the back of the form and return the forms to the insurance company administrator. You should have LTD claim forms on hand. If not, contact the insurance company administrator at (602) 240-2133 in the Phoenix area, (520) 239-3100 ext. 2133 in metro Tucson, or toll free at 1(800) 621-3778, ext. 2133.

- ❑ Complete and submit the job description and requirements form to the insurance company administrator. Direct questions regarding the form to the insurance company administrator.
- ❑ Respond promptly to requests from the insurance company administrator. Advise the administrator of any changes in the member's status.
- ❑ Advise the member that if the member obtains a refund or retires, he or she will not be eligible for LTD benefits. If the member is already receiving benefits, payments will be stopped.

Visit the LTD section of the ASRS website for more information or contact the insurance company administrator.

**NOTE:** *The Long-Term Disability Program does not relieve the employer from responsibilities under the Americans with Disabilities Act.*

## Health Insurance

### The ASRS Group Medical and Dental Insurance

The ASRS administers a group health insurance plan for retired and disabled members who are not eligible for, or who elect not to participate in, their former employer's plan. The ASRS contracts for medical and dental services with private insurance companies on an annual basis to provide the coverage. Members may elect the ASRS programs at retirement or change their elections during an annual open enrollment period. The open enrollment period, during which members may enroll for or change their coverage options, is held in the fall. Changes take effect on January 1.

The ASRS plan specifies that participating providers accept all pre-existing conditions when a member is retiring or transferring from an employer group insurance plan. The members' choices of coverage are based on the county or state of residence. Coverage and contracted carriers can change each year. The ASRS does not provide a health-care program for active employees.

## Notes

## Employer Responsibilities

Federal law requires you to advise retiring employees of their rights regarding continuation of their health-care coverage pursuant to the COBRA regulations of 1987. Other responsibilities include:

- ❑ The ASRS provides information regarding the ASRS group health plan when the member attends a pre-retirement seminar or when a member requests a retirement application. Many members, however, fail to take advantage of these opportunities. If your employee has not already obtained information on the ASRS group health insurance, refer the member to the ASRS Member Services Division.
- ❑ Advise members who elected employer coverage to contact the ASRS 90 days prior to the termination date of their current health insurance plan if the member desires to transfer to the ASRS group plan
- ❑ Advise members who participate in a health insurance plan other than that sponsored by the employer or the ASRS that they can transfer to the ASRS plan only at open enrollment or when they are no longer eligible for their employer plan
- ❑ Advise members of any restrictions to later coverage under the employer's plan if the member elects the ASRS or other health-insurance coverage
- ❑ The ASRS will advise employers in the fall of each year regarding the different plans offered by the ASRS. This will allow you to provide comparisons between your employer plan/plans and the ASRS offerings.
- ❑ Advise members who become eligible for Medicare and are no longer eligible for your health-insurance program that they can enroll in the ASRS health-insurance program Medicare supplement at that time. It is not necessary to wait for the ASRS Open Enrollment period.

## The ASRS Health Insurance Premium Benefit

The ASRS provides a health insurance premium benefit to help cover the cost of insurance premiums for members with at least five years of ASRS credited service who are retired or receiving long-term disability benefits. The premium benefit is applied only to the cost of insurance coverage from or administered by an ASRS employer or any ASRS group insurance plan extended after retirement or while receiving disability benefits. The member is not eligible for the premium benefit if the member obtains coverage other than that provided or administered by the employer or the ASRS.

The amount of the benefit payable is based on the member's years of credited service, Medicare eligibility and dependents. Members with at least 10 years of credited service qualify for the full premium benefit. The premium benefit for members with fewer than 10 years of service is determined on a pro-rated basis. The benefit is reduced ten percent for each year of service fewer than ten, down to five years of credited service. Members with fewer than five years of service are not eligible for the benefit. Refer members to the Member Handbook for more information.

If your organization allows a retired member to continue as part of your group insurance plan after retirement, the ASRS will send you an annual survey to update the ASRS records regarding employer plans. This information is requested each year on the anniversary date you indicated for your insurance renewal.

### **Coverage under an Employer's Plan**

The ASRS does not pay the premium benefit directly to the member because the payments would be taxable income to the member if paid in this manner. Therefore, each month the ASRS forwards premium benefit reimbursements to employers with a listing of the retired and disabled members included in the report. As employers, you must handle the payment of the premiums for the health insurance according to your rules and procedures.

### **Coverage under an ASRS Group Insurance Program**

The ASRS applies the premium benefit amount against the required insurance premium for members who elect the ASRS group insurance program. Nothing is required from the employer.

### **Employer Responsibilities**

- ❑ If you are not receiving the health-insurance premium benefit on behalf of a retired employee covered under your health-insurance plan, or if the amount appears to be in error, please contact the ASRS Health Insurance section.
- ❑ Advise members enrolled in your plan of the amount of premium benefit applied to the cost of the member's insurance.
- ❑ Complete and return the Insurance Premium Benefit Program survey sent annually by the ASRS.


## Health Insurance Forms

### **The following forms are used by the ASRS Health Insurance Accounting Section.**

- ❑ *Authorization for the Health Insurance Premium Benefit Program and Premium Deductions for Participating ASRS Employers.* This is the enrollment form. It is used for all new retirees and new long term disability participants. It is completed once.
- ❑ *ASRS Change/Deletion Form.* This form is used for any type of changes after the initial enrollment (*Authorization* form) has been completed. This form is used for changes such as:
  - Positive open enrollment
  - Changes in insurance carriers
  - Dropping or adding dependents
  - Dropping insurance
  - Death of the retiree or long term disability participant
- ❑ *Employer Health Insurance Premium/Plan Breakdown Table.* This form is used by employers for their Open Enrollment. It must be completed and returned to the ASRS at least 30 days before the effective date.
- ❑ *Employer Survey Packet.* This packet is sent annually to all ASRS employers. ASRS employers are asked to complete the information and return to the ASRS within a set time period.
- ❑ *Procedures for Reimbursement of Medical and/or Dental Cost to Qualified Retirees/LTD Employees.* Covered as a dependent under an active employee plan of an ASRS employer. This form is used for retirees who return to work for an ASRS employer and are eligible for the employer's insurance. Or, if the retiree becomes a dependent on an ASRS employer plan this form must be completed.


If you have questions regarding these forms, contact the Health Insurance Accounting Section at (602) 240-2009 (Phoenix) or (520) 239-3100 ext. 2009 (Tucson metro area) or outside of metro Phoenix and Tucson 1(800) 621-3778 ext. 2009.

# Sample Authorization Form for the Health Insurance Premium Benefit Program and Premium Deductions for Participating ASRS Employers

|   |           | <b>ARIZONA STATE RETIREMENT SYSTEM</b><br><b>AUTHORIZATION FORM FOR THE HEALTH INSURANCE</b><br><b>PREMIUM BENEFIT PROGRAM &amp; PREMIUM DEDUCTIONS</b><br><b>FOR PARTICIPATING ASRS EMPLOYERS</b> |         | COMPLETE AND SEND TO:<br>ASRS - MEMBER SERVICES<br>PO BOX 33910<br>PHOENIX, AZ 85067-3910<br>(602) 240-2000 Phoenix<br>(520) 239-3100 Tucson<br>Outside Phoenix/Tucson:<br>(800) 621-3778<br>TTY (602) 240-5333<br>Fax (602) 266-4082 |                        |   |  |  |           |            |         |                        |                        |            |           |  |  |  |       |       |  |           |  |  |  |       |       |  |           |  |  |  |       |       |  |           |  |  |  |       |       |  |
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| LAST NAME  |           | FIRST NAME   |         | INITIAL   |                        | SOCIAL SECURITY NUMBER  |  |  |           |            |         |                        |                        |            |           |  |  |  |       |       |  |           |  |  |  |       |       |  |           |  |  |  |       |       |  |           |  |  |  |       |       |  |
| MAILING ADDRESS  |           |  |         |   |                        | TELEPHONE NUMBER  |  |  |           |            |         |                        |                        |            |           |  |  |  |       |       |  |           |  |  |  |       |       |  |           |  |  |  |       |       |  |           |  |  |  |       |       |  |
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| CITY   |           | STATE  |         | ZIP CODE  |                        | DATE OF BIRTH (MO/DAY/YR)   |  |  |           |            |         |                        |                        |            |           |  |  |  |       |       |  |           |  |  |  |       |       |  |           |  |  |  |       |       |  |           |  |  |  |       |       |  |
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| <b>RETIREMENT INFORMATION</b><br>I am <input type="checkbox"/> Married <input type="checkbox"/> Single      I am <input type="checkbox"/> Retired <input type="checkbox"/> Disabled      Medicare # _____<br>I Participate In: <input type="checkbox"/> Arizona State Retirement System <input type="checkbox"/> Public Safety Personnel Retirement System<br><input type="checkbox"/> Elected Officials Retirement Plan <input type="checkbox"/> Corrections Officer Retirement Plan <input type="checkbox"/> VPA Long Term Disability Plan<br>Retirement Effective Date _____      Disability Effective Date _____   |           |  |         |   |                        |   |  |  |           |            |         |                        |                        |            |           |  |  |  |       |       |  |           |  |  |  |       |       |  |           |  |  |  |       |       |  |           |  |  |  |       |       |  |
| <b>DEPENDENT INFORMATION FOR COVERAGE</b> <table border="1" style="width: 100%; border-collapse: collapse; font-size: x-small;"> <thead> <tr> <th></th> <th>Last Name</th> <th>First Name</th> <th>Initial</th> <th>Social Security Number</th> <th>Birth Date (Mo/Day/Yr)</th> <th>Medicare #</th> </tr> </thead> <tbody> <tr> <td>Dependent</td> <td></td> <td></td> <td></td> <td style="text-align: center;">-   -</td> <td style="text-align: center;">/   /</td> <td></td> </tr> <tr> <td>Dependent</td> <td></td> <td></td> <td></td> <td style="text-align: center;">-   -</td> <td style="text-align: center;">/   /</td> <td></td> </tr> <tr> <td>Dependent</td> <td></td> <td></td> <td></td> <td style="text-align: center;">-   -</td> <td style="text-align: center;">/   /</td> <td></td> </tr> <tr> <td>Dependent</td> <td></td> <td></td> <td></td> <td style="text-align: center;">-   -</td> <td style="text-align: center;">/   /</td> <td></td> </tr> </tbody> </table> |           |  |         |   |                        |   |  |  | Last Name | First Name | Initial | Social Security Number | Birth Date (Mo/Day/Yr) | Medicare # | Dependent |  |  |  | -   - | /   / |  | Dependent |  |  |  | -   - | /   / |  | Dependent |  |  |  | -   - | /   / |  | Dependent |  |  |  | -   - | /   / |  |
|  | Last Name | First Name   | Initial | Social Security Number  | Birth Date (Mo/Day/Yr) | Medicare #  |  |  |           |            |         |                        |                        |            |           |  |  |  |       |       |  |           |  |  |  |       |       |  |           |  |  |  |       |       |  |           |  |  |  |       |       |  |
| Dependent  |           |  |         | -   -   | /   /                  |   |  |  |           |            |         |                        |                        |            |           |  |  |  |       |       |  |           |  |  |  |       |       |  |           |  |  |  |       |       |  |           |  |  |  |       |       |  |
| Dependent  |           |  |         | -   -   | /   /                  |   |  |  |           |            |         |                        |                        |            |           |  |  |  |       |       |  |           |  |  |  |       |       |  |           |  |  |  |       |       |  |           |  |  |  |       |       |  |
| Dependent  |           |  |         | -   -   | /   /                  |   |  |  |           |            |         |                        |                        |            |           |  |  |  |       |       |  |           |  |  |  |       |       |  |           |  |  |  |       |       |  |           |  |  |  |       |       |  |
| Dependent  |           |  |         | -   -   | /   /                  |   |  |  |           |            |         |                        |                        |            |           |  |  |  |       |       |  |           |  |  |  |       |       |  |           |  |  |  |       |       |  |           |  |  |  |       |       |  |
| <b>MEDICAL PLAN</b><br>Carrier: _____  |           |  |         | <b>DENTAL PLAN</b><br>Carrier: _____  |                        |   |  |  |           |            |         |                        |                        |            |           |  |  |  |       |       |  |           |  |  |  |       |       |  |           |  |  |  |       |       |  |           |  |  |  |       |       |  |
| Member:  |           | Premium  |         | Member:   |                        | Premium   |  |  |           |            |         |                        |                        |            |           |  |  |  |       |       |  |           |  |  |  |       |       |  |           |  |  |  |       |       |  |           |  |  |  |       |       |  |
|  |           |  |         |   |                        |   |  |  |           |            |         |                        |                        |            |           |  |  |  |       |       |  |           |  |  |  |       |       |  |           |  |  |  |       |       |  |           |  |  |  |       |       |  |
| Dependent:   |           | Premium  |         | Dependent:  |                        | Premium   |  |  |           |            |         |                        |                        |            |           |  |  |  |       |       |  |           |  |  |  |       |       |  |           |  |  |  |       |       |  |           |  |  |  |       |       |  |
|  |           |  |         |   |                        |   |  |  |           |            |         |                        |                        |            |           |  |  |  |       |       |  |           |  |  |  |       |       |  |           |  |  |  |       |       |  |           |  |  |  |       |       |  |
| Total:   |           | Premium  |         | Total:  |                        | Premium   |  |  |           |            |         |                        |                        |            |           |  |  |  |       |       |  |           |  |  |  |       |       |  |           |  |  |  |       |       |  |           |  |  |  |       |       |  |
|  |           |  |         |   |                        |   |  |  |           |            |         |                        |                        |            |           |  |  |  |       |       |  |           |  |  |  |       |       |  |           |  |  |  |       |       |  |           |  |  |  |       |       |  |
| <input type="checkbox"/> I decline Medical Coverage through my former employer.  |           |  |         | <input type="checkbox"/> I decline Dental Coverage through my former employer.  |                        |   |  |  |           |            |         |                        |                        |            |           |  |  |  |       |       |  |           |  |  |  |       |       |  |           |  |  |  |       |       |  |           |  |  |  |       |       |  |
| I request that my health insurance premium benefit be applied to the medical and/or dental coverage provided by my former employer and verify that the information provided is true and accurate.<br><br>Signature: _____      Date: _____   |           |  |         |   |                        |   |  |  |           |            |         |                        |                        |            |           |  |  |  |       |       |  |           |  |  |  |       |       |  |           |  |  |  |       |       |  |           |  |  |  |       |       |  |
| Employer Name: _____   |           |  |         | Employer Contact Name: _____      Phone#: _____   |                        |   |  |  |           |            |         |                        |                        |            |           |  |  |  |       |       |  |           |  |  |  |       |       |  |           |  |  |  |       |       |  |           |  |  |  |       |       |  |
| Effective Date<br><div style="border: 1px solid black; height: 20px; width: 100%;"></div>  |           | Medical Premium<br><div style="border: 1px solid black; height: 20px; width: 100%;"></div>   |         | Dental Premium<br><div style="border: 1px solid black; height: 20px; width: 100%;"></div>   |                        | Employer #<br><div style="border: 1px solid black; height: 20px; width: 100%;"></div> |  |  |           |            |         |                        |                        |            |           |  |  |  |       |       |  |           |  |  |  |       |       |  |           |  |  |  |       |       |  |           |  |  |  |       |       |  |




## Sample ASRS Change/Deletion Form

|  |           |  |         |  |                        |            |
|--|-----------|--|---------|--|------------------------|------------|
|   |           | <b>ARIZONA STATE RETIREMENT SYSTEM</b><br><b>CHANGE/DELETION FORM</b>  |         | COMPLETE AND SEND TO: ASRS<br>PO BOX 33910<br>PHOENIX, AZ 85067-3910<br>(602) 240-2000 Phoenix<br>(520) 239-3100 Tucson<br>Outside Phoenix/Tucson - 800-621-3778<br>TTY/TDD (602) 240-5333<br>FAX (602) 266-4082 |                        |            |
|  |           | LAST NAME                      FIRST NAME                      INITIAL                      SOCIAL SECURITY NUMBER |         |  |                        |            |
| MAILING ADDRESS  |           |  |         | TELEPHONE NUMBER   |                        |            |
| CITY                      STATE                      ZIP CODE  |           |  |         | DATE OF BIRTH (MO/DAY/YR)<br>/ /   |                        |            |
| <b>Change</b><br><div style="display: flex; justify-content: space-between;"> <div style="width: 30%;"> <input type="checkbox"/> Change Member Information<br/> <input type="checkbox"/> Change Dependent Information<br/> <input type="checkbox"/> Add Dependent         </div> <div style="width: 30%;"> <input type="checkbox"/> Change Date of Birth<br/> <input type="checkbox"/> Change SSN<br/> <input type="checkbox"/> Change Medicare Status         </div> <div style="width: 30%;"> <input type="checkbox"/> Plan Change<br/> <input type="checkbox"/> Open Enrollment<br/> <input type="checkbox"/> Other _____         </div> </div>   |           |  |         |  |                        |            |
| <b>Delete</b><br><div style="display: flex; justify-content: space-between;"> <div style="width: 30%;"> <input type="checkbox"/> Medical Only<br/> <input type="checkbox"/> Dental Only<br/> <input type="checkbox"/> Both Medical and Dental         </div> <div style="width: 30%;"> <input type="checkbox"/> Delete Dependent<br/> <input type="checkbox"/> No Longer Eligible         </div> <div style="width: 30%;"> <input type="checkbox"/> Death of Member      Date: _____<br/> <input type="checkbox"/> Death of Dependent      Date: _____         </div> </div>   |           |  |         |  |                        |            |
| <b>Change/Delete</b>   |           |  |         |  |                        |            |
|  | Last Name | First Name   | Initial | Soc.Sec. Number  | Birth Date (Mo/Day/Yr) | Medicare # |
| Member   |           |  |         | - -  | / /                    |            |
| Dependent  |           |  |         | - -  | / /                    |            |
| Dependent  |           |  |         | - -  | / /                    |            |
| Dependent  |           |  |         | - -  | / /                    |            |
| Comments: _____<br>_____<br>_____  |           |  |         |  |                        |            |
| Employer: _____      Employer Liaison Name: _____<br>Phone Number: _____<br><div style="display: flex; justify-content: space-around; margin-top: 10px;"> <div style="text-align: center;">           Effective Date<br/> <input style="width: 100px; height: 20px;" type="text"/> </div> <div style="text-align: center;">           Old Medical Premium<br/> <input style="width: 100px; height: 20px;" type="text"/><br/>           New Medical Premium<br/> <input style="width: 100px; height: 20px;" type="text"/> </div> <div style="text-align: center;">           Old Dental Premium<br/> <input style="width: 100px; height: 20px;" type="text"/><br/>           New Dental Premium<br/> <input style="width: 100px; height: 20px;" type="text"/> </div> </div> |           |  |         |  |                        |            |

# Sample Employer Health Insurance Premium Plan Breakdown Table

**ARIZONA STATE RETIREMENT SYSTEM**  
**EMPLOYER HEALTH INSURANCE PREMIUM / PLAN BREAKDOWN TABLE**



Please print all information:

|                      |   |
|----------------------|---|
| Employer Name _____  | Employer ID# _____ <i>Number is shown on 460 report</i>     |
| Contact Person _____ | Open Enrollment Begins _____                                |
| Phone Number _____   | Open Enrollment Ends _____                                  |
| Fax Number _____     | Effective Date _____ <i>What date will this rate begin?</i> |
| E-mail Address _____ |   |

7/1/2005

List only one carrier/plan per sheet (form). Use separate sheets for additional carriers, medical or dental plans

List retiree rate & only one family category/rate on each line. Family rate is amount in excess of the retiree rate.

| Please indicate if plan is (or is not) a medicare plan by marking Y or N  |              |        |                            |        |  |        |  |        |   |                  |  | Service Area<br>(applicable only for HMOs)  |   |  |
|---|--------------|--------|----------------------------|--------|--|--------|--|--------|---|------------------|--|---|---|--|
| Is this a<br>COBRA PLAN <input type="checkbox"/><br>or a<br>MEDICAL PLAN <input checked="" type="checkbox"/><br>or a<br>DENTAL PLAN <input type="checkbox"/><br>(who is?)<br>Insurance Carrier<br>and Plan Name | Plan<br>Type | Y<br>N | Retiree<br>Only<br>Premium | Y<br>N | Family:<br>Either<br>Spouse or<br>One Child<br>Premium | Y<br>N | Family:<br>Children<br>Only<br>Premium | Y<br>N | Family:<br>Spouse<br>and<br>Children<br>Premium | Total<br>Premium | List County if<br>applicable or<br>put "Entire<br>State" | Provide Zip<br>Codes<br>covered<br>outside<br>county                                      | Provide Zip<br>Codes not<br>covered<br>inside<br>county |  |
| 1 Retiree   | HMO          | N      | 375.00                     |        |  |        |  |        |   | 375.00           | Entire State   | <b>PLEASE NOTE:</b><br><i>Rows read across from left<br/>to right, not top to bottom.</i> |   |  |
| 2 Retiree   | HMO          | Y      | 235.00                     |        |  |        |  |        |   | 235.00           | Entire State   |   |   |  |
| 3 Retiree + Spouse  | HMO          | N      | 375.00                     | N      | 200.00   |        |  |        |   | 575.00           | Entire State   |   |   |  |
| 4 Retiree + Children  | HMO          | Y      | 235.00                     |        |  | N      | 200.00                                 |        |   | 435.00           | Entire State   | Thank you!  |   |  |
| 5 Retiree + Spouse + Child  | HMO          | N      | 375.00                     |        |  |        |  | N      | 350.00  | 725.00           | Entire State   |   |   |  |
| 6   |              |        |                            |        |  |        |  |        |   |                  |  |   |   |  |
| <b>EXAMPLE SHEET</b>  |              |        |                            |        |  |        |  |        |   |                  |  | <b>EXAMPLE SHEET</b>  |   |  |
| 8   |              |        |                            |        |  |        |  |        |   |                  |  |   |   |  |

Return this form when completed to ASRS. Use separate sheets for additional medical plans, any dental or COBRA plans.

The ASRS shows your enrollment year for Health Insurance for your retirees begins on July 1.  
 If that date is correct, this survey should contain insurance plans and rates for 7/1/05 thru 6/30/06.  
**If that date is not correct, please complete and return this form 45 days before your new plan year begins and notify ASRS of your plan start date**

# Sample Instructions for Reimbursement of Medical/Dental Costs



## ARIZONA STATE RETIREMENT SYSTEM (ASRS) REIMBURSEMENT OF MEDICAL AND DENTAL COST INSTRUCTIONS

ASRS  
3300 N Central Ave  
PO Box 33910  
Phoenix, AZ 85067-3910  
Phoenix (602) 240-2000  
Tucson (520) 239-3100  
Toll-Free (800) 621-3778  
TTY (602) 240-5333

The ASRS provides a Health Insurance Premium Benefit to qualified retirees and employees on long term disability (LTD). The Health Insurance Premium Benefit is intended to help offset the cost of medical and dental insurance provided by the ASRS or an ASRS employer.

Qualified members can file for reimbursement under the following conditions:

- If an **ASRS employer** covers a **retiree or an employee on LTD** as a dependent on the active employee's insurance for medical and/or dental coverage.
- If an **ASRS employer** covers a **retiree who has returned to work full time (and continues to receive an ASRS pension)** as an active employee for medical and/or dental insurance.

### Verification

- Retiree must provide a completed Reimbursement of Medical and Dental Cost form as follows:
  1. Provide the information related to the actively working employee who is covered under the insurance plan.
  2. Provide information on the qualified member.
  3. Provide the out-of-pocket expense for medical and/or dental coverage. List each month separately.
  4. Reimbursement form must be signed by the employer's benefits representative of the active member.
- Retiree must provide proof of coverage and out-of-pocket expenses or a copy of the employer's benefits enrollment form indicating coverage.

**Note:** Vision, life insurance, LTD, or insurance other than medical and dental is **not** eligible.

### Reimbursement

- Reimbursements are for six-month periods (January through June and July through December).
- Claims for reimbursement must be submitted every six months and within 60 days after the six-month period ends.
- Reimbursements must be submitted on a *Reimbursement of Medical and Dental Expense form*.
- Reimbursement will be the lesser of either the single premium benefit available or the out-of-pocket expenses.
- Reimbursements are paid directly to the retiree.
- Claims for reimbursement will be processed within 60 days of receipt of the Reimbursement of Medical and Dental Cost form.

### Where to File for Reimbursement:

Arizona State Retirement System  
Health Insurance Department  
P.O. Box 33910  
Phoenix, AZ 85067-3910



**ARIZONA STATE RETIREMENT SYSTEM (ASRS)**  
**REIMBURSEMENT OF MEDICAL AND**  
**DENTAL COST (TO BE COMPLETED BY EMPLOYER)**

PLEASE PRINT  
COMPLETE AND SEND TO:  
ASRS - Health Ins. Dept.  
PO Box 33910  
Phoenix, AZ 85067-3910  
Phoenix (602) 240-2000  
Tucson (520) 239-3100  
Toll-Free (800) 621-3778  
TTY (602) 240-5333  
Fax (602) 240-2003  
www.asrs.state.az.us

Disclosure of your Social Security number is mandated by Section 6109 of the Internal Revenue Code. \*The ASRS will use Social Security numbers only to obtain information about an individual's ASRS account and to inform the Internal Revenue Service about distributions and withholdings with respect to the individual's account.

**1. ACTIVE MEMBER INFORMATION**

|                        |       |  |                          |
|------------------------|-------|--|--------------------------|
| Social Security Number |       | Active Member Name (Last, First, Middle) |                          |
| Mailing Address        |       |  | Date of Birth (MM/DD/YY) |
| City                   | State | Zip                                      | Medical Effective Date:  |

**2. RETIRED MEMBER INFORMATION**

|                        |       |   |                          |
|------------------------|-------|---|--------------------------|
| Social Security Number |       | Retired Member Name (Last, First, Middle) |                          |
| Mailing Address        |       |   | Date of Birth (MM/DD/YY) |
| City                   | State | Zip                                       | Medical Effective Date:  |

**3. REIMBURSEMENT TOTALS FOR THE SIX MONTH PERIOD (January thru June and then July thru December)**

| Date<br>(List each month<br>and year) | Total Medical<br>Plan Premium | Total Dental<br>Plan Premium | Employee Out-<br>of-Pocket<br>Medical<br>Premium<br>(Payroll Deductions) | Employee Out-<br>of-Pocket<br>Dental Premium<br>(Payroll Deductions) | Total Employee<br>Monthly Out-of-<br>Pocket Cost<br>of Medical and<br>Dental Plan<br>(Payroll Deductions) |
|---------------------------------------|-------------------------------|------------------------------|--|--|---|
|                                       |                               |                              |  |  |   |
|                                       |                               |                              |  |  |   |
|                                       |                               |                              |  |  |   |
|                                       |                               |                              |  |  |   |
|                                       |                               |                              |  |  |   |
|                                       |                               |                              |  |  |   |
| Totals                                |                               |                              |  |  | \$  |

**4. BENEFIT REPRESENTATIVE INFORMATION**

|   |      |                              |     |
|---|------|------------------------------|-----|
| Benefits Representative (Print)             |      | Name of Employer             |     |
| Benefits Representative (Signature)         |      | Address of Employer          |     |
| Date  | City | State                        | ZIP |
| Benefits Representative Phone Number<br>( ) |      | Employer Phone Number<br>( ) |     |

Reimbursement of Medical and Dental Cost

Page 1 of 1

Revised: 08/17/04



# Survivor Benefits

## **Death prior to Retirement**

If a member dies before the payment of retirement benefits begins, the ASRS will pay a survivor benefit to the member's beneficiary named in ASRS records. The benefit is two times the member's account balance (employee contributions plus interest accrued to the date of payment). The ASRS requires a death certificate and other IRS-required applications to complete the payment process.

### Employer Responsibilities

Encourage your employees to keep their beneficiary designations current and provide a Social Security number for all named beneficiaries. Failure to do so may cause delay in payment, or, payment to an undesired party or resolution through probate. By attending to this administrative detail, the member can save his/her survivors unnecessary inconvenience and cost.

When you learn of the death of an active member, advise the survivor to notify the ASRS Member Services Division as soon as possible. The ASRS will request the death certificate when we advise of benefits available. You may notify Member Services on behalf of the survivor.

Contact the ASRS to provide whatever information you have concerning the death, even if the survivor/beneficiary is not known.

The ASRS will forward the necessary forms to the beneficiary.

## **Death after Retirement**

Survivor benefits or continuation of the retirement benefit may be payable on the death of a retired member only if provided under the retirement option chosen by the member.

### Employer Responsibilities

Contact the ASRS when you learn of the death of a retired member. The beneficiary may not be aware of survivor benefits that may be payable.

The ASRS will follow up and forward the necessary forms to the beneficiary.

## Post-Retirement Increase

The ASRS may provide post-retirement increases to retired members and members receiving disability benefits (if disability benefits began before July 1, 1996). The post-retirement increases are payable when the ASRS investment return exceeds the actuarial assumed rate of return on ASRS investments (currently 8 percent). This increase is called a Permanent Benefit Increase (PBI).

The PBI is paid July 1st each year, provided our investment return exceeds the actuarial assumed rate of return on ASRS investments. Eligibility includes all ASRS retired members and beneficiaries of deceased retired members who were receiving benefits on or before July 31 of the previous calendar year.

The amount available for the PBI is a percentage of the total liability for benefits to retired members. The percentage is the difference between the actuarial rate of investment return and the actuarial assumed return (8 percent). The increase is capped at 4 percent of the total benefits paid to retired members.

Although the total amount available for the PBI is determined as a percentage of retired member benefits, the amount available is converted to a dollar amount per year of service credit. (The PBI was designed in this manner to reward length of service.) The amount payable to a member is the dollar factor multiplied by the member's accrued service credit at retirement. The amount paid is a permanent increase to the member's base benefit.

The ASRS may provide an additional PBI to some retired members. This is an enhancement to the original PBI to assist those retirees who have been retired for a long period of time. This enhancement provides that interest at a rate of 8 percent be paid on the funds held in reserve for the PBI. The interest accrued to the reserve is used to fund an enhanced PBI based on the number of years a member has been retired. A member who has at least 10 years of service would be eligible for an increase for every five years of retirement.

## Notes

# Annual Benefit Statements

After the close of each fiscal year, the ASRS prepares a "Personal Statement of Retirement Benefits" for each active and inactive ASRS member. The statements are printed and mailed by the end of the calendar year.

The following information is included on the statement, based on the member's account as of the end of the fiscal year (June 30):

- ❑ Estimates of retirement benefits at the member's earliest retirement date and each "normal retirement" date
- ❑ An estimate of the member's long-term disability benefit, based on reported salary
- ❑ An estimate of the survivor benefit payable to the member's beneficiary in the event of the member's death before retirement
- ❑ The member's account balance, including:
  - The member's balance as of the end of the previous fiscal year
  - Interest added to the account on the member's balance
  - Member contributions during the fiscal year (member's new balance)
  - Service credited to the member's account for the year just ended
  - Total service credit earned by the member
  - Employer contributions remitted on the member's behalf during the fiscal year
  - Member contributions during the fiscal year to purchase service credit
  - Total service credit purchased by the member
  - Total of all service

***NOTE:*** For members of the defined contribution program, the ASRS includes employer contribution balances.

## **Distribution of Statements**

The ASRS mails each member's statement to the mailing address contained in ASRS records. The ASRS distributes statements to the employers for those employees who do not have a valid address on record.

The ASRS asks that employers forward statements to your employees who have not reported a valid address to the ASRS. The ASRS normally will distribute these statements in two batches. The first batch contains the statements of active members who have not reported an address to the ASRS. The second batch includes statements that were mailed to members, but returned by the post office because the address was incorrect, inadequate or no longer valid.

## Employer Responsibilities

Forward statements received from the ASRS to members along with an ASRS *Change of Address* form.

Obtain completed *Change of Address* forms from members and return them to the ASRS.

## Common Questions about the Annual Benefit Statements

**Question 1:** Why were benefit estimates not reported on my statement?

**Answer 1:** The ASRS does not provide benefit estimates under two general situations:

- 1) The member's account is "un-enrolled," i.e., the ASRS does not have a valid enrollment form on file for the member. Without the information provided on the enrollment form, the ASRS cannot estimate future benefits. Have the member complete an enrollment form and forward it to the ASRS.
- 2) The member has less than one year of credited service at the end of the fiscal year. The ASRS cannot provide a reasonable estimate of benefits for members with less than one year of credit. If the member continues membership, the ASRS will provide estimates on future statements.

**Question 2:** What if the information on my statement is incorrect?

**Answer 2:** Refer the member to instructions provided on the statement for resolving suspected errors. For changes in address, name or beneficiary, have the employee complete the appropriate form, attach documentation, if required, and forward the forms to the ASRS.

**Question 3:** Why are employer contributions in the account balance not shown?

**Answer 3:** Including this information in the past was misleading to members, and was discontinued. Members become entitled to a portion of employer contributions after having accrued at least five years of credited service and 100 percent of employer contributions after 10 years of credited service.

## Divorce Situations

Because Arizona is a community property state, a member's retirement account is considered a "marital property" asset, and the member's spouse may be entitled to a portion of the current or future retirement benefit or refund in the event they become divorced.



A legal process called a "qualified domestic relations order" determines how the marital assets, including the retirement rights, are split between the parties. Both parties to the divorce will need information related to the value of the retirement account for the preparation of the domestic relations order.

### Employer Responsibilities

Refer any divorce-related inquiries regarding the member's retirement account to the ASRS Member Services Division. We will provide the requested information and also the requirements for a properly executed qualified domestic relations order as it pertains to the ASRS.

## Social Security

### History

Public employers were not included in Social Security coverage when this coverage was first established in 1935. This omission was corrected when the Social Security Act was amended effective in 1951 with the addition of Section 218 of the Act. Each state was authorized to enter into an agreement with what is now the Social Security Administration to provide Social Security coverage to employees of the state. The state could then modify this agreement to extend coverage to political subdivisions of the state. This coverage is considered voluntary and is termed "Section 218" coverage.

The State of Arizona entered such an agreement effective June 29, 1951. Since then, most political subdivisions have come under the state's umbrella for Social Security coverage. When the Arizona State Retirement System was established in 1953, the State adopted Section 218 coverage as an eligibility requirement for coverage. Social Security coverage and state retirement coverage, along with a member's personal savings, are each considered essential components of a member's total post-retirement income requirements.

### Exclusions from Coverage

Section 218 provides two types of exclusions from Social Security coverage: mandatory and optional. We do not discuss the different exclusion classifications in detail in this manual. Check your Section 218 agreement to learn which exclusions apply to your employees or your Social Security Manual for more information. Contact the ASRS External Affairs Division if you have questions regarding coverage.

Positions excluded from coverage on a mandatory or optional basis are not subject to Social Security withholding under the provisions of Section 218. However, the Omnibus Budget Reconciliation Act (OBRA) of 1990 changed the playing field. This act provides that any public employee who is not covered by a Section 218 agreement and not covered by a retirement plan that meets IRS criteria **must** be covered for Social Security. Therefore, an employee who is in a position excluded from the Section 218 agreement is not eligible for ASRS membership, but must be covered for Social Security unless the employee is covered under one of the other state retirement programs, or covered by another retirement program accepted by the IRS.

Arizona's master agreement with the Social Security Administration excludes from Section 218 coverage services performed by students (of the educational institution for which the student attends school and works) and election workers with earnings in a calendar year not exceeding \$1,100. The exclusion for election workers is indexed to inflation. The ASRS will advise when the limit is increased. These positions also are excluded from the mandatory coverage. These positions are not eligible for ASRS.

### **Medicare Coverage**

The Medicare Program, enacted by the U.S. Congress in 1965, provides health-insurance coverage for people age 65 and older, younger people who have been entitled to Social Security disability benefits for 24 months, and people who need dialysis and kidney transplants for treatment of end-stage kidney disease. As with Social Security, Medicare taxes are levied on both the state and local entity and its employees.

The Omnibus Budget Reconciliation Act of 1985 (OBRA '85) made state and local employees hired after March 31, 1986 subject to mandatory Medicare coverage. This did not affect employees covered under a Section 218 Social Security agreement because Medicare is included in full Social Security coverage. OBRA '85, however, did affect employees hired after March 31, 1986 into positions excluded from Section 218 Social Security coverage. These employees, such as firefighters, must now be covered for Medicare.

Employees performing "substantial, regular and continuous" employment before April 1, 1986, who were not included in a Section 218 agreement for Social Security coverage, remain exempt from both Social Security and Medicare taxes. Your Section 218 agreement can be modified to provide Medicare-only coverage for employees who are members of a public retirement program but not covered for full Social Security under a Section 218 agreement. Contact the State Social Security Administrator at the ASRS Affairs Operations Division at ext. 2022 for more information.

## ASRS Membership

Only those positions included in your agreement for Social Security coverage are eligible for ASRS membership. Any employee in a position excluded from an ASRS employer's agreement for Section 218 coverage is not eligible for ASRS membership. See "Eligibility" in Section 4, Membership.

## ASRS Responsibilities

The ASRS has been designated to represent the state in administering the Social Security agreement. Acting in this capacity, the State Social Security Administrator may approve agreements to extend Social Security coverage under Section 218 to new employers (political subdivisions of the state).

The State Social Security Administrator may also approve certain modifications to the state's or any political subdivision's agreement to change the provisions of the agreement. If an agreement previously excluded a position, the employer may later choose to cover the position by modification of the agreement. The employer may not choose to exclude positions already covered.

## University and Community College Optional Retirement Program

The Arizona State Legislature created the University Optional Retirement Program (ORP) (ARS §15-1628) in 1974 which became effective January 1, 1975. Administrative staff, professional staff and faculty who meet membership criteria to participate in a retirement system may participate in either the ASRS or the Optional Retirement Plan as designated by the Arizona Board of Regents. The optional retirement program is only offered to those employees included under their employment categories of Administrative (6-101), Faculty (6-201), and Professional (6-301).

Per the Board of Regency Personnel Rules, an employee, assuming a position which grants entitlement to membership in the ORP, or upon being made eligible for participation in an optional retirement program as a result of the adoption of this policy, shall be advised in writing of this right and shall have a period of 30 days following notification in which to make an election and complete the necessary enrollment requirements. Enrollment in an optional retirement program is prospective only and shall not affect prior contributions made to any other retirement program.

Optional retirement plan state contributions and interest thereon being held by a university pending an employee's completion of five years of creditable service

shall be transferred to the gaining institution if an employee is offered employment by and is transferring to another university within the Arizona Board of Regents System. This transfer of funds is required whether or not the position is eligible for participation in an optional retirement program.

Laws of 1995 established the Optional Retirement Program for community college districts, if approved by their board of directors. The program emulates the University ORP.

ARS §15-1451 D and §15-1628 B both emphasize that if this election is made, the member waives all benefits provided by the ASRS. The fact that a member may have elected to participate in an ORP rather than to continue to accrue credited service in the ASRS is not relevant to the member's eligibility to receive retirement benefits from the ASRS. The relevant inquiry is whether the member meets the requirements of the ASRS to receive retirement benefits. If the member continues to work full time, he is not eligible to receive ASRS retirement benefits. Thus, an ASRS retiree is not eligible to participate in any ORP program. For more information, contact either the ORP administrator or the ASRS External Affairs Division.

## Notes

# 10. PAYROLL DEDUCTION PROGRAM

## ASRS Employer Manual

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# 10. PAYROLL DEDUCTION PROGRAM

## Introduction

Section 7 of this manual discusses the various opportunities offered to ASRS members to purchase additional service credit toward retirement. As an alternative to direct lump sum payment for the purchase, members may elect to participate in the ASRS payroll deduction program. Under the program, the member pays for the purchase with pre-tax installments deducted from the member's pay. In order to have deductions made on a pre-tax basis, the member must meet the requirements of the ASRS payroll deduction program.

## General

Please direct employees interested in the purchase of service credit under the various provisions of statute to the Arizona State Retirement System Member Services Division. Employees may call the ASRS at (602) 240-2000 in Phoenix, (520) 239-3100 in Tucson, or toll-free at 1(800) 621-3778 outside metro Phoenix and Tucson. The Member Services staff will provide the necessary forms and instructions, including information about payroll deduction as the means of payment for a purchase.

See Section 7, Purchase of Service Credit, for details about employer responsibilities in regard to service purchases. Refer employees to the ASRS website for additional information.

A favorable Private Letter Ruling by the Internal Revenue Service permits the ASRS to accept payments for the purchase of service credit through tax-deferred payroll deduction under a "salary reduction agreement."

Authority for employers to implement a payroll deduction program was granted in Arizona Revised Statutes §38-747. These provisions required employers to

make payroll deduction available to all employees who are members of the ASRS as a means of payment for service purchases.

In its ruling, the IRS imposed several conditions that must be met in order to qualify the payroll deduction program for the tax-deferred provisions of a salary reduction agreement as defined in federal law.

This manual provides instructions and procedures for the implementation and administration of a payroll deduction program to meet the mandate in Arizona statute and help ensure compliance with IRS requirements.

## Establishing a Payroll Deduction Program

ARS §38-747 requires employers, at the request of an employee who is a member of the ASRS, to deduct amounts from the employee's pay under a salary reduction agreement for payment to the ASRS for service purchases.

Implementing the payroll deduction program requires three primary tasks:

- 1) Making changes to your payroll system to make and monitor deductions for service purchases
- 2) Making changes to your retirement reporting procedures to provide deduction information to meet ASRS requirements
- 3) Establishing administrative procedures to ensure that your payroll deduction program complies with IRS qualifying criteria

The ASRS cannot help you with the first task. The information in this manual will help you understand and meet the requirements in the other two tasks.

## Notes

## Setting Up a Payroll Deduction

The ASRS will help the employee choose the terms for the service purchase by payroll deduction. The terms will be recorded on an authorization form called the *Payroll Deduction Authorization* (PDA). Once signed by the employee and approved by the ASRS, the PDA will be forwarded to the employer with a contract number (assigned by the ASRS) to be included in your payroll reporting. **Do not start withholding or remitting PDA payments until you receive the ASRS authorization letter.** See “Payroll Reporting Under a Payroll Deduction Program” and “Common Questions About Payroll Deduction” later in this section.

The PDA is designed to meet the IRS requirements for qualification for a salary reduction agreement. Your authorization is required to make deductions on a “salary reduction” basis, deferring taxable income. To qualify for tax deferral, the deductions must be made only in strict compliance with the requirements of the IRS approval, as outlined in the *Payroll Deduction Authorization* form and as explained in this manual. Once the agreement is implemented, it becomes irrevocable. The contract stays in effect as long as the employee works for an ASRS employer. Any employee with an ASRS PDA that changes ASRS employers must continue to have deductions taken out by the new employer.

The PDA details the terms of the deduction:

- ❑ When the deductions will start, if later than six weeks
- ❑ The total dollar amount of the purchase
- ❑ The amount of the deduction each pay period
- ❑ The amount of service credit to be purchased

### Employer Responsibilities

- ❑ On receipt of a PDA, verify that the employee has sufficient funds available in regular pay to cover the amount requested on the PDA. Do not count overtime or other non-regular payments in determining the sufficiency of pay for the payroll deduction.
- ❑ If the employee does not have sufficient pay to cover the payroll deduction amount, deny the agreement and refer the employee back to the ASRS to request a new PDA. (Advise the employee of the maximum amount available for deduction.)
- ❑ Do not start a pre-tax payroll deduction for service purchase on behalf of an employee without the proper authorization on a Payroll Deduction Authorization signed by the employee and approved by the ASRS.



- ❑ Deduct the required amount from the employee's pay each pay period according to the terms of the PDA, beginning with the first pay period after receiving the PDA (unless otherwise specified on the PDA) until the full amount authorized in the PDA has been paid to the ASRS.
- ❑ If sufficient funds are available in the employee's pay for deduction, begin deducting the agreement amount on the next payroll.
- ❑ Reduce the employee's taxable income by the amount of the deduction. Reduce only Federal and State wages; do not reduce Social Security or Medicare wages.
- ❑ Remit payroll deductions in the form prescribed by the ASRS. Please see Section 6, Contribution Reporting, for details.
- ❑ Upon hiring, ascertain if the new employee has an existing PDA. If so, the employee must contact the ASRS Member Services Division to reissue the PDA, listing the new employer.

## Administering the Payroll Deduction Authorization

The irrevocable *Payroll Deduction Authorization* (PDA) is approved by the Internal Revenue Service as a salary reduction agreement that reduces the participating employee's taxable income by the amount of the payroll deduction authorized under the agreement. Failure to comply strictly with the terms of the agreement could cause the ASRS to lose its tax qualification and result in severe tax consequences for both employer and employee members of the ASRS.

You must administer payroll deduction authorizations according to the restrictions contained in the PDA and as explained below:

- ❑ The PDA is binding and irrevocable. The employee cannot directly receive amounts that were deferred by the PDA. This means that the employee cannot have any control over the employee's funds authorized for deduction in the PDA.
  - Do not accept a request from the employee to rescind the agreement until the full amount in the agreement is paid or the employee terminates employment. If an employee transfers between positions or units for the same employer, or goes to work for another ASRS employer, the PDA remains in effect. (ARS §38-747(b)(7))

- Do not accept a request from the employee to change the amount withheld from pay for the service purchase, either to increase or decrease the deduction.
- Regarding voluntary pay deductions, employees may make new deductions or changes to existing deductions as long as the change does not reduce the amount available for the deduction required under the PDA. When entering into the PDA, an employee may reduce voluntary deductions to permit a greater amount to be deducted for the service purchase.
  - Do not accept new, or a change to, voluntary deductions from the employee's pay that would result in a reduction of the amount to be deducted for the service purchase under the PDA.
- In the event the employee enters a leave without pay, sabbatical or disability status, or otherwise reduces hours or earnings and the status change results in a reduction of the amount available for the service purchase payroll deduction:
  - Deduct and remit the amount available. The ASRS will extend the period for the payroll deduction until the total amount required to be paid under the terms of the PDA is paid, or the employee terminates employment with an ASRS employer, or the employee retires.
  - Include written notice with your ASRS contribution report to explain the reasons for the reduced payment. Or, if you are reporting through the internet, use the "Comments" section to explain.
- Payments under a PDA are in addition to required contributions to the ASRS.
  - Continue to deduct and report regular ASRS retirement and long term disability program contributions.
- If an employee has entered into a PDA to purchase only a portion of the service credit available to the employee for purchase, the employee may enter into another agreement(s) at a later date to purchase all or any portion of the remaining service credit.
  - Do not accept any subsequent agreement(s) that would change the terms of any previous agreement.
- Administer all agreements according to the terms of the PDA.
- If an employee has a change of position, retirement system or hours which results in the member no longer being eligible for making retirement contributions, although you must stop the retirement and LTD contributions, you must continue remitting PDA payments on any regular wages the member earns.

- ❑ If the member terminates or retires, the member has 10 days to notify the ASRS that they wish to pay off the PDA through a lump sum payment. Refer them to the ASRS Member Services Division for specific instructions.
- ❑ If a member terminates, do not deduct PDA payments from the termination pay, unless it is specifically listed in the PDA agreement. See the definition of “Termination Pay” in Section 5.

## Hierarchy of Payroll Deductions

The ASRS cannot advise you specifically regarding the hierarchy of deductions from payroll. Follow standard payroll procedures. For payroll deduction purposes, however, a payroll deduction for a service purchase or additional contributions is made after other mandatory deductions and before any voluntary deductions.

Examples of mandatory deductions include:

- ❑ Federal income tax
- ❑ State income tax
- ❑ FICA
- ❑ Tax levies
- ❑ ASRS retirement and long term disability contributions
- ❑ Child or spousal support required by a court order
- ❑ Garnishments

Voluntary deductions include all other deductions over which the employee may exercise choice. Examples include:

- ❑ Voluntary changes to federal or state income tax withholding
- ❑ Changes to health insurance coverage
- ❑ Amounts paid to tax deferred annuities or deferred compensation plans
- ❑ Any other deduction at the employee's option

## Notes

## Payroll Reporting Under a Payroll Deduction Program

For each pay period, report payroll deductions for service purchases in the same manner and at the same time as regular retirement contributions. Employers reporting by electronic means, tape, or diskette must use the record format for electronic reporting. See Section 6, Contribution Reporting.

Report regular retirement contributions for each employee who is a member of the ASRS as a "Record 1" transaction. Record 1 is the normal 80-character format currently used for reporting retirement contributions.

Report service purchase amounts and additional contributions for payroll deduction as a "Record 2" transaction for each employee under an approved PDA. If the employee has more than one PDA for a service purchase, report a separate Record 2 for each deduction for each pay period deducted. (See Record 2 layout explanation.)

For each employee in the payroll deduction program, report Record 1 and Record 2 transactions together, one after the other, as in Record 1 then Record 2. (You may choose to report all Record 2 transactions together, separate from the Record 1 transactions, all on the same tape or diskette.) If the entire file cannot be included on one tape/diskette, separate record types on different tape/diskettes, that is, all Record 1 transactions on one tape/diskette and all Record 2 transactions on a second tape/diskette. Do not report on two tapes/diskettes if the file will fit on one. Employees who are not participating in the payroll deduction program will not have a Record 2 transaction.

Example of a record sequence on tape/diskette:

Record 1 - Smith Thomas 123-45-6789  
Record 2 - Smith Thomas 123-45-6789  
Record 1 - Jones Robert 111-22-3333 (No service purchase, no Record 2)  
Record 1 - Johnson Mary 999-88-7777  
Record 2 - Johnson Mary 999-88-7777

Enter the total amounts deducted for service purchases and additional contributions (System members) only in the appropriate spaces on the revised Contribution Summary Report submitted with your remittance. (To be provided.)

Prepare a paper printout of the PDA deductions, containing all information in the Record 2 transactions.

Forward your tape/diskette with the Record 1 and 2 transactions, retirement contribution printout, PDA deduction printout, Contribution Summary Report and remittance to the ASRS according to normal procedures.

## ASRS Automated Payroll Reporting System

If you report retirement contributions by the ASRS Automated Payroll Reporting System, provisions are included in the program for the reporting of payroll deductions for service purchases. See instructions provided in Section 6, Contribution Accounting.

## Questions?

Direct general questions regarding the payroll deduction program and reporting specifications and requirements to the Financial Services Division, (602) 240-2034 in metro Phoenix, (520) 239-3100 ext. 2034 in metro Tucson, or toll-free outside of metro Phoenix and Tucson at 1(800) 621-3778, ext. 2034.

## Notes

# Summary of Employer Responsibilities

**Help inform** employees of service purchase opportunities.

**Verify** that the employee has sufficient funds available in the employee's regular pay to cover the amount requested on the PDA.

**Deny** the authorization and refer the employee back to the ASRS to request a new PDA if the employee does not have sufficient pay to cover the payroll deduction amount for the service purchase. (It will be helpful if you advise the employee of the maximum amount available for deduction.)

If sufficient funds are available in the employee's pay for the deduction, begin deductions.

**Implement** payroll deduction for a service purchase only after receipt of a valid *Payroll Deduction Authorization* signed by the employee and approved by the ASRS.

**Deduct** the required amount from the employee's pay each pay period for each deduction under the payroll deduction program, beginning immediately unless otherwise indicated on the PDA until the full amount authorized in the PDA has been paid to the ASRS and remit payroll deductions in the form prescribed by the ASRS.

**Reduce** the employee's taxable income by the amount of the deduction.

**Deny** the employee from rescinding the payroll deduction agreement except on completion of the agreement or termination of employment with an ASRS employer.

**Deny** the employee from reducing or increasing the deduction amount (except though another Payroll Deduction Authorization).

**Deny** the employee from making voluntary deduction changes that would reduce the amount available for the required payroll deduction for the service purchase or additional contribution payment.

**Permit** voluntary deduction changes that do not affect the amount to be withheld under the payroll deduction authorization.

**Process** mandatory payroll changes as necessary, even if the change reduces the amount available for the required deduction. Deduct and remit the reduced amount available along with an explanation for the reduced deduction.

# Common Questions and Answers for Employees

**Question 1:** What is the ASRS Payroll Deduction Program?

**Answer 1:** A payroll deduction program is an installment payment method that allows an ASRS member to pay for the purchase of service credit over an extended period of time instead of having to make a large lump sum payment. An affordable amount is deducted from the member's pay each pay period until the full amount is paid for the service credit purchased. The payments are deducted on a tax-deferred basis, reducing the tax liability until the member begins receiving a pension from the ASRS.

The payroll deduction program was made available to ASRS members by a favorable ruling from the Internal Revenue Service. Authority for employers to implement a payroll deduction program was granted in ARS §38-747.

**Question 2:** What service may be purchased?

**Answer 2:** Purchase of the following types of service credit may be made by payroll deduction:

- ☐ Reinstatement of previously forfeited ASRS service
- ☐ Active duty: Military Service, National Guard or Reserve
- ☐ Other public service under a retirement system
- ☐ Unpaid leave of absence
- ☐ Transfer of service from another state retirement plan

**Question 3:** How can I request payroll deduction?

**Answer 3:** First you must submit a request to purchase service. You may obtain the application forms by contacting the ASRS Member Services Division at (602) 240-2000 in Phoenix, (520) 239-3100 in Tucson, or toll-free at 1(800) 621-3778 outside metro Phoenix and Tucson. The application is also available on the ASRS website.

An ASRS staff member will send you the necessary forms. When you return the forms and the required supporting documents, the ASRS calculates the cost of the service you have available for purchase.

When the ASRS advises you of the cost of the purchase it will also provide a request for payment by payroll deduction. (You still have the choice to pay by lump sum). If you choose payroll deduction, you then choose the terms for the payment, such as when the deductions will start, the service credit to be purchased, the total amount of the purchase and the amount of the deduction each pay period.

**Question 4:** How do I determine the terms for the payroll deduction?

**Answer 4:** The ASRS Member Services Division will help you determine the terms for the payroll deduction that best meet your needs. A computer program helps ASRS staff to show you different options. You may base the terms on how much of the service you want to buy, the total amount you want to pay or how much you can afford per pay period. This can be done by telephone, mail or in person.

**Question 5:** How is the payroll deduction started?

**Answer 5:** The terms are recorded on an irrevocable *Payroll Deduction Authorization* form. When approved, this form authorizes your employer to make the requested deduction from your pay. The payroll deduction cannot be started without an approved PDA. There is a limit of 20 years for any one PDA. Remember, the amounts deducted for the service purchase are in addition to regular ASRS contributions.

The ASRS then enters your payment terms on the *Payroll Deduction Authorization* and approves the form. After you sign the PDA, the ASRS will forward the PDA to your employer. If you do not have sufficient pay to cover the payroll deduction amount for the service purchase, you must request a new PDA from the ASRS and choose new terms for the payroll deduction.

**Question 6:** When can I start payroll deduction?

**Answer 6:** You may begin at any time after you elect to purchase service credit and you enter into an agreement with your employer for deduction from your pay.

**Question 7:** Do I have to pay anything extra to make my purchase by payroll deduction?

**Answer 7:** If the service purchase request was made before July 1, 2004, no interest is charged. If the service purchase request was made on or after July 1, 2004, interest of 8 percent is amortized over the life of the PDA.

**Question 8:** What if I retire or terminate employment with an ASRS employer before I complete the purchase?

**Answer 8:** A member may request a payoff letter for the remaining monies due on the PDA 10 days prior to or after the member's termination from employment with an ASRS employer. The payment is made in one lump sum and can be either a pre-tax rollover from a qualified plan, a partial lump sum from an ASRS pension, or a check with after-tax monies.

**Question 9:** Can I change the terms of the payroll deduction?

**Answer 9:** No. The PDA is irrevocable and cannot be changed or rescinded. Once you enter into the agreement, you cannot increase or decrease the amount being deducted from your pay for the service purchase and cannot stop the agreement until the full amount in the agreement is paid or you terminate employment. Amounts included in the PDA may not be prepaid.



**Question 10:** Can I make changes to other deductions from my pay after the PDA is in place?

**Answer 10:** Yes. You can add or make changes to other voluntary deductions as long as the new deduction does not affect the payroll deduction required by the PDA. You cannot add or change voluntary deductions from your pay if the change leaves an amount insufficient to cover the deduction for the service purchase.

Voluntary deductions include voluntary income tax deductions, changes to health insurance coverage, amounts paid to tax deferred annuities or deferred compensation plans and any other deduction subject to the choice of the member.

**Question 11:** What happens if there is a mandatory change in deductions from my pay and there is not enough left in my pay to deduct the amount required in the PDA?

**Answer 11:** If mandatory deductions from your pay in any pay period prevent the full amount from being made for the payroll deduction, the employer will deduct the reduced amount left for the service purchase. The agreement will be extended until the total amount due for the PDA is made or you terminate employment.

Mandatory deductions may include required federal and state taxes, tax levies, and deductions beyond the member's control, such as court ordered child support, spousal support or garnishments.

**Question 12:** What if I go on a leave of absence without pay or otherwise have a reduction in my pay?

**Answer 12:** In the event you go on a leave of absence without pay, a sabbatical, or your hours or earnings are reduced and you do not have enough pay to cover the payroll deduction for the service purchase, the employer is required to deduct the amount available and forward the deduction to the ASRS. The ASRS will extend the period for the payroll deduction until the total amount required to be paid under the terms of the PDA is paid or you terminate employment.

**Question 13:** How much can I pay each pay period by payroll deduction?

**Answer 13:** The minimum amount is \$10.00 or 0.001 service time, whichever is the greater. There is a 20-year limit for paying off the PDA. There is no maximum amount for payroll deduction. You can pay as much as you want, as long as the amount available in your pay will cover it. The total deduction cannot exceed the amount available after withholding of all other mandatory deductions. Remember, you cannot change the amount withheld from your pay later. The ASRS recommends consulting your financial advisor before making this commitment.

**Question 14:** How long can I take to complete the service purchase?

**Answer 14:** As long as you remain an actively contributing ASRS member, you have a maximum of 20 years to complete the purchase. Then length of time needed to complete a service purchase depends on the amount deducted each pay period.

**Question 15:** Do I have to purchase the full amount of service available for purchase?

**Answer 15:** No. You may use payroll deduction, a rollover from a qualified plan, or payment by check to purchase all or any portion of the service available to you for purchase. You have the option to buy the remaining amounts at a later time. The cost to purchase at later date will be determined using the calculation formula in place at the time of the request.

**Question 16:** What happens if I leave my employer before the service purchase is completed?

**Answer 16:** If you terminate employment before completing the agreement, the PDA stops. However, you may choose to purchase any part of the remaining service by lump-sum payment at termination. This purchase requires a recalculation of the cost of the remaining service.

**Question 17:** What if I terminate service and go to work with another ASRS employer?

**Answer 17:** The PDA ends if you terminate employment before completing the agreement. If you go to work for another ASRS employer, your PDA moves with you and is continued until all payments are made or you terminate employment. The employee must contact the ASRS to obtain a new PDA contract for the new employer.

**Question 18:** Can I have more than one payroll deduction agreement?

**Answer 18:** You can buy part of your available service credit by payroll deduction and buy additional amounts by another PDA at a later time. You may also choose to buy any additional available service by lump sum payment. Additional agreements or lump sum payments cannot change the terms of any existing authorization for payroll deduction.

**Question 19:** What is the tax status of payroll deduction payments?

**Answer 19:** Amounts withheld from your pay by payroll deduction are treated the same as your regular retirement contributions. The deductions are tax deferred, meaning that they reduce your taxable income each pay period. When you receive a payment from the ASRS, either as a refund of your contributions or pension payments, the tax-deferred amounts will be taxable.

**Question 20:** How is the purchased service credited to my retirement account?

**Answer 20:** You earn a prorated amount of service for each payment made. The ASRS credits the service to your retirement account at the same time that

service is credited for regular retirement contributions, currently at the end of the fiscal year.

**Question 21:** What other issues should the member consider in choosing payroll deduction for a service purchase?

**Answer 21:** If you try to have the maximum amount deducted from your pay each pay period, even minor changes in mandatory deductions will extend your buy back period. Also, by choosing a large deduction, you lose flexibility to deal with unforeseen circumstances, such as a medical emergency, a need for a new car, or other surprise expense. Similarly, entering into a contract that will last a very long time could lessen your flexibility and may not be in your best interest. The ASRS recommends talking with your financial advisor before making any PDA decision.

Although it might cost more because of the need to recalculate the cost, in some circumstances it might be better to choose to buy only a portion of your available service at a time. You will have more flexibility with an easily affordable deduction amount and reasonable pay back period. If your circumstances change due to a pay increase or loss of another major expense, you could purchase additional service by lump sum or another payroll deduction agreement at a later time.

## Notes

# GLOSSARY

## ASRS Employer Manual

### **Active Member**

An eligible employee who is currently employed with an ASRS employer to work 20 or more hours per week for at least 20 weeks in the fiscal year and who is contributing to the ASRS. A member on LTD earning service time is considered an active member.

### **Actuary**

The professional contracted by the ASRS to perform the statistical analysis of ASRS operations for financial reporting purposes and for determining the contribution rate necessary to pay future benefits of ASRS members

### **Actuarial Present Value (APV)**

The amount of money required now to provide the additional benefit that the purchased service will cause in the future

### **After-Tax Contributions**

Amounts paid by members before July 1, 1986, or amounts paid by an after tax lump sum to buy credited service. These are amounts paid from taxable income and are not taxed again when the ASRS pays a refund or benefit payment.

### **Beneficiary**

The individual specified by a member to receive the balance of the member's account or, if applicable, selected benefits upon the death of the member

### **Compensation**

All regular salary and wages paid for work completed for an ASRS employer, including overtime, compensatory time, vacation and sick leave and other special payments. It also means amounts that would have been paid except for an election or a legal requirement, such as a garnishment. Lump-sum payments upon termination are not included as compensation for members who began membership on or after January 1, 1984.

### **Contribution Rates**

The normal cost rate plus the rate to amortize the deficit over 30 years. The contribution rate is the percentage of compensation paid by the employer and the employee to fund future retirement or long-term disability (LTD) benefits. The contribution rates for retirement and LTD are each determined separately by the ASRS actuary.

**Cost Sharing**

Both the employee and the employer contribute to the member's retirement at an equal percentage of pay

**Credited Service**

The number of years on a member's account, earned through working for an ASRS employer, purchased as service credit through the service purchase program, or transferred from another Arizona retirement system

**Current Annual Salary**

The compensation for retirement purposes paid to a member for a total of 12 months. Please see ARS §38-711 (5, 7, and 10) for specific information as it relates to either retirement benefits or the purchasing of service time.

**Defined Benefit Plan**

A plan, such as the ASRS, that provides members with a fixed monthly benefit upon retirement. The benefit formula consists of the member's years of service multiplied by a percentage multiplied by average monthly salary.

**Direct Transfer**

This occurs when the taxable portion of a retirement account is paid directly to another qualified plan or IRA. A direct transfer is not subject to tax withholding; monies remain tax-deferred until they are paid to the member.

**Early Retirement**

Retirement prior to a member's normal retirement date. The member must be 50 years of age or older and have at least five years of credited service. The member's benefit is reduced from the full benefit calculated by the ASRS benefit formula.

**Excess Contributions**

Contributions received by the ASRS from the employee and employer for retirement and/or LTD that do not qualify as compensation for retirement. Or, retirement contributions deducted from termination payments that are not used in a member's retirement benefit calculation.

**Fiscal Year**

The ASRS operational year for accounting purposes. The ASRS fiscal year starts July 1 of any year and ends June 30 of the following year. Also referred to as the "plan year."

**Inactive Member**

A member who no longer works for an ASRS employer, but who has left contributions on deposit in the ASRS. Also refers to a former active member who works for an ASRS employer, but works in a status that does not meet membership criteria. A member on LTD who is not earning service time is considered inactive.

### **Internal Revenue Code (IRC) Section 415(c)**

The section of the federal Internal Revenue Code regulations that limit the amount that a member may pay in any one year for the purchase of additional ASRS credited service

### **Lump-Sum Payment**

- 1) Payment other than salary or wages made when the member leaves employment. Includes payoff of accrued vacation and sick leave and any other special payments made when a member leaves employment.
- 2) A one-time benefit payment to the member
- 3) A single payment to purchase service credit

### **Magnetic Media Reporting**

A report of required contributions in a computerized format on tape or diskette

### **Member**

- 1) A person who is currently making contributions to the ASRS; also referred to as "active"
- 2) A person who is no longer working for an ASRS employer, but has left contributions in the ASRS; also referred to as "inactive"
- 3) A person who is currently receiving a retirement benefit from the ASRS; also referred to as "retired"
- 4) A person who is currently on ASRS LTD

### **Multiplier Factor**

The percentage set by the legislature and used in the retirement benefit formula to determine the member's monthly retirement annuity. Currently, the multiplier factor is in a range from 2.1% to 2.3% depending upon years of credited service.

### **Non-Retired Member**

An active or inactive member

### **Normal Cost**

The value of the benefit the member earns in that year according to the actuarial cost method. It is one part of the formula used to determine the contribution rate. From 1996 to August 2004, normal cost was used to calculate the cost to purchase service credit. Currently the actuarial present value is used in calculating the cost to purchase service credit.

### **Normal Retirement (for a Plan Member)**

The earliest age at which a member is first eligible to receive a full retirement benefit as calculated by the ASRS benefit formula. A member reaches normal retirement at age 65, but if the member has at least 10 years of credited service, normal retirement occurs at age 62. Normal retirement may be reached earlier when the member's age and years of credited service add up to 80 points.

**Normal Retirement (for a System Member)**

The earliest age at which a member is first eligible to receive a full retirement benefit as calculated by the ASRS System benefit formula. Normal retirement occurs at age 60 if the member has at least 5 years of credited service.

**Pension**

A series of periodic payments usually for life, payable monthly

**Pre-Tax Contributions**

Regular amounts contributed from payroll deduction on or after July 1, 1986. These amounts are "tax-deferred," meaning they are deducted from the member's pay before income tax withholding. A member is taxed on pre-tax contributions when the ASRS pays a refund or benefit to the member.

**Previously Forfeited Service**

ASRS credited service forfeited by a member when the member obtained a refund upon terminating prior employment with an ASRS employer

**Qualified Domestic Relations Order (QDRO)**

A court order to dissolve a marriage and determine the split of marital assets, including retirement benefits

**Retirement**

Occurs when a member has terminated active membership with the ASRS, made application and has fulfilled all requirements to receive a monthly benefit

**Return to Work (Retiree)**

Employment by an ASRS employer of an individual who is receiving ASRS retirement benefits from prior employment with the same or another ASRS employer

**Rollover**

Funds from a retirement plan are refunded, and then "rolled over" into another qualified retirement plan or IRA. A rollover is subject to tax withholding unless paid by a direct transfer from the old plan to the new plan.

**Section 218 of Social Security Act**

Social Security coverage provided to employees of government employers by an agreement with the state

**Service Purchase**

The ability to purchase years of service. Years available for purchase were served under another public retirement system or as an ASRS leave of absence without pay, as long as this time is not covered by another pension. Active military time is the only exception; it may be purchased even if the member is receiving a military pension.

**Tax-Qualified Plan**

A retirement plan that satisfies the requirements of Section 401(a) and other applicable provisions of the Internal Revenue Code and receives favorable tax treatment

**Termination Pay**

Payment other than salary or wages made when the member leaves work. Includes payoffs of accrued vacation and sick leave and any other special payments made when a member leaves employment. Members contributing to the ASRS before January 1, 1984 are eligible to use these monies in the 60-month averaging of salary. Termination pay is also referred to as a "lump-sum payment."

**Un-Enrolled Account**

- 1) A temporary account established on the ASRS Master File of retirement accounts for contributions reported by a name and Social Security number that do not exist on the Master File
- 2) An un-enrolled account also means the ASRS does not have an enrollment form for a member

**Vesting**

The right to receive a retirement benefit